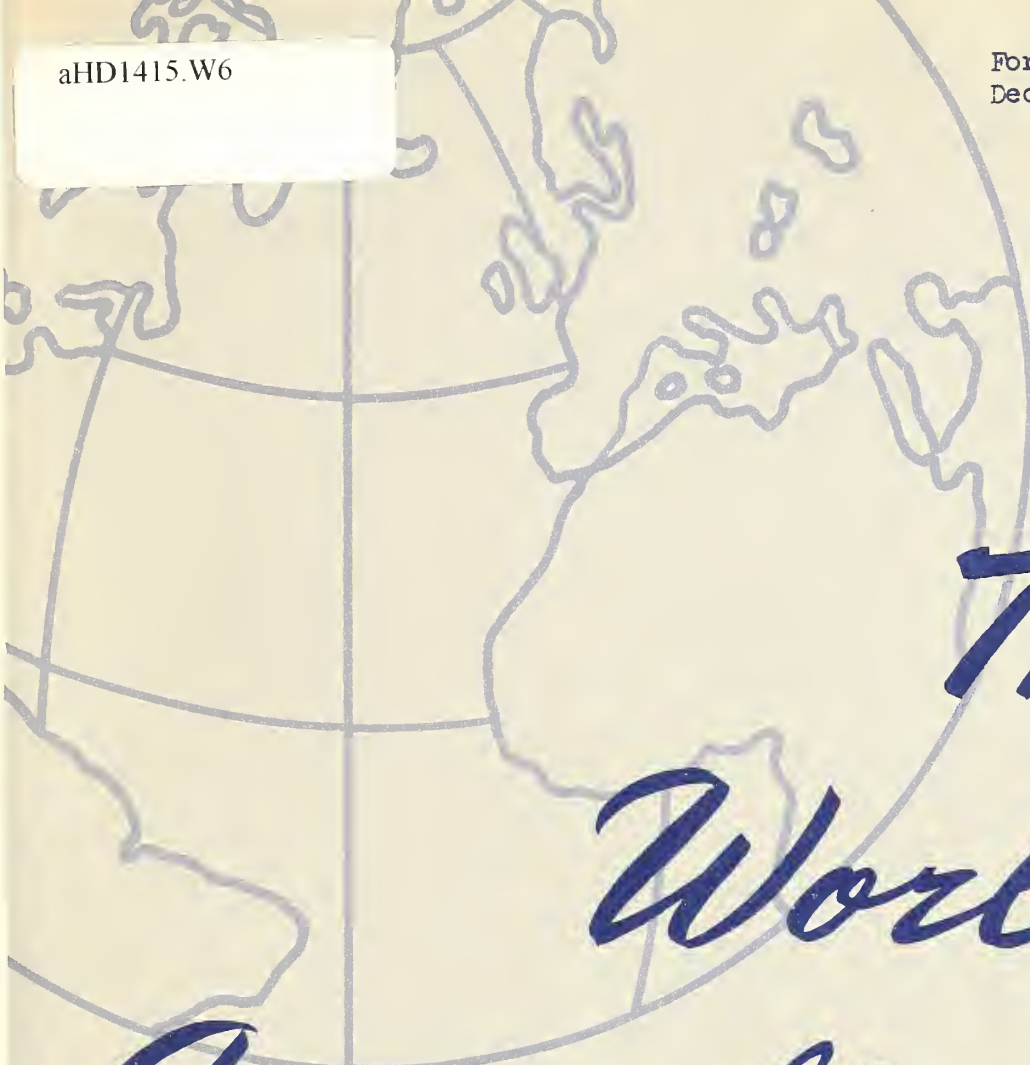


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December 18, 1959, A.M.



The World Agricultural Situation 1960

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
WASHINGTON, D. C.

Contents

	Page
World summary	1
Regional summary	4
Commodity summary	7
Situation by country and area:	
Canada	14
United States	15
Latin America	17
Western Europe	22
Eastern Europe	26
Soviet Union	28
Mainland China	30
The Far East	33
East Asia	33
South Asia	36
West Asia	37
Africa:	
Northern Africa	40
Southern Africa	43
Australia and New Zealand	45

(Approved by the Outlook and Situation Board, November 23, 1959.)

The World Agricultural Situation, 1960

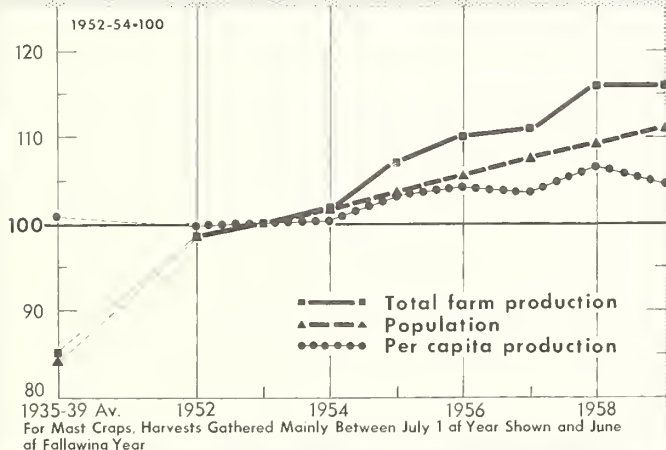
World Summary

World agricultural production in 1959-60 is expected to match last year's record output. Per capita production, though down, will still be higher than in any previous year except 1958-59. Increased stocks on hand at the beginning of the season should raise per capita supplies close to the 1958-59 level. Demand for farm products strengthened somewhat during 1958-59, with the passing of the recession in North America, Japan, and Western Europe. This was partly reflected in some recovery of world market prices for various farm-produced raw materials. Prices of a number of other major farm products weakened in the face of heavy supplies. At the same time, the volume of world agricultural trade increased somewhat. It is expected to increase again in 1959-60, but probably not enough to reduce materially exporting countries' stocks of such important commodities as wheat, feed grains, and coffee.

Production

World output of farm products in 1959-60 is forecast at 116 percent of the 1952-54 average—equal to the record high of 1958-59 and 136 percent of the 1935-39 average. The United States, the Far East (excluding Mainland China), and Africa are expected to make new records; for the first time since the war, production per capita in the Far East will almost reach the prewar average. Production is also up in Canada. It is up in Eastern Europe and about the same as last year in Western Europe, in spite of a drought that damaged late crops and pastures in an area extending from northwest Europe east into the Soviet Union. But these increases are offset by decreases in the Soviet Union, Mainland China, Western Asia, Latin America, and Oceania, caused chiefly by dry weather in many important producing areas.

**WORLD: Total Farm Output Again High,
Per Capita Output Drops**



Growing conditions generally have been less favorable for this year's than for last year's crops. Reduced yields account for nearly all of the expected drop in world wheat production. Expanded acreage played an important part in keeping world rice output close to the 1958-59 level. It did not prevent a drop in sugar beet production, but was primarily responsible for an unchanged output of feed grains and a record-large cotton crop. Among other major crops, decreased output is in prospect for apples and pears, soybeans, peanuts, and flaxseed, while increased output is in prospect for citrus, olive oil, cottonseed, tobacco, coffee, tea, and cocoa.

For crop production as a whole, present forecasts indicate a level slightly below the 1958-59

TABLE 1.--Indices of world agricultural production, total and per capita, by regions, average 1935-59 and annual 1957-58 to 1959-60¹

[Average 1952-53 to 1954-55 = 100]

Region	Total				Per capita			
	Average 1935-39	1957-58	1958-59 ²	1959-60 ³	Average 1935-39	1957-58	1958-59 ²	1959-60 ³
Canada.....	68	90	94	99	92	81	82	84
United States..	69	105	114	115	86	98	105	104
Latin America..	72	117	118	116	103	104	102	98
Western Europe	81	106	109	109	92	103	105	104
Eastern Europe, USSR, and Mainland								
China.....	105	116	124	120	116	108	114	108
Far East ⁴	88	111	115	120	109	104	106	108
Western Asia..	68	117	112	109	92	106	99	94
Africa.....	80	112	117	119	99	103	105	105
Australia and New Zealand..	80	103	118	116	103	94	105	101
World.....	85	111	116	116	101	104	107	105

¹Value of production at constant prices. Revised. Crops included in the index are harvested mainly between July 1 of the first year shown and June of the following year. For a few crops and most livestock production, estimates are for the calendar year of the first year shown. ²Preliminary. ³Forecast. ⁴Revised series.

record. Livestock production, however, should continue to expand. Output of meat and animal fats, poultry and eggs, and wool is expected to be up from last year. Increases for these products will be only partly offset by a probable decrease in milk production, stemming in large measure from the drought in Europe.

Stocks and Supplies

The supply of farm products should exceed the high 1958-59 level. Sharp increases in stocks partly offset the decrease in wheat production, may have compensated for the drop in sugar production, and raised feed grain supplies to a new record high. Coffee stocks and supplies are also larger than ever before.

Stocks of cotton, on the other hand, showed little change, remaining well below the August 1, 1956, peak. The expected increase in production, however, will bring supplies to record levels. Wool stocks, which increased considerably during 1958, decreased to more nearly normal levels in exporting countries during 1959 as trade expanded.

Demand

Consumption of farm products is likely to increase more this season than in 1958-59. Demand for food remains strong. Demand for industrial raw materials, which slackened during the recent recession in North America, Japan, and Western Europe, has been picking up with the recovery in economic activity.

Industrial production in most of the economically advanced countries had reached new highs by the second quarter of 1959. The growing financial strength of these countries is reflected in sharply rising gold and dollar reserves. Between June 30, 1958, and June 30,

TABLE 2.--Estimated world production of selected agricultural commodities,
average 1950-54, annual 1956-57 to 1959-60

Commodity	Unit	Average 1950-54	1956-57	1957-58	1958-59 ¹	1959-60 ¹
Wheat.....	Mil. bu.	6,980	7,795	7,645	8,690	7,900
Rye.....	Mil. bu.	1,455	1,405	1,410	1,460	1,400
Rice, rough.....	Mil. cwt.	3,938	4,392	4,252	4,780	4,689
Sugar, centrifugal.....	Mil. s.t.	39.1	45.6	50.0	55.6	54.5
Sugar, noncentrifugal...	Mil. s.t.	6.9	7.6	7.9	9.0	9.3
Corn.....	Mil. bu.	5,650	6,580	6,575	7,335	7,710
Oats.....	Mil. bu.	4,160	4,255	3,995	4,240	3,700
Barley.....	Mil. bu.	2,695	3,395	3,175	3,305	3,240
Dry beans ²	Mil. cwt.	73.4	84.2	84.8	88.0	83.3
Potatoes ³	Mil. cwt.	3,295	3,704	3,555	3,363	3,272
Flaxseed.....	Mil. bu.	120	164	120	132	118
Soybeans.....	Mil. bu.	681	849	880	995	944
Peanuts.....	Mil. s.t.	11.6	14.0	14.8	15.3	14.0
Cottonseed.....	Mil. s.t.	18.4	20.5	20.5	21.9	22.8
Olive oil.....	1,000 s.t.	1,080	1,185	1,240	1,065	1,425
Lard.....	Mil. s.t.	4.2	4.8	5.1	6.0	6.5
Tallow and greases.....	Mil. s.t.	42.6	3.1	3.4	3.3	3.6
Apples and pears ⁵	Mil. bu.	554	621	464	743	590
Fruits, citrus.....	Mil. s.t.	414.2	15.0	15.2	16.9	17.5
Meat ⁶	Mil. cwt.	4817	939	951	955	990
Milk.....	Mil. cwt.	6,050	6,450	6,550	6,665	6,600
Eggs ⁷	Billion	4135	145	149	152	154
Wool.....	Mil. lbs.	44,540	5,095	5,050	5,310	5,445
Cotton.....	Mil. bales	38.4	42.1	41.5	44.2	46.7
Tobacco.....	Mil. lbs.	7,811	8,678	8,656	8,352	8,423
Palm oil.....	1,000 s.t.	1,280	1,370	1,365	1,400	1,425
Palm kernel oil.....	1,000 s.t.	420	470	425	535	560
Coconut oil.....	1,000 s.t.	2,085	2,425	3,410	2,170	2,000
Sesameseed.....	1,000 s.t.	1,942	1,560	1,407	1,763	1,700
Castorbeans.....	1,000 s.t.	519	495	567	505	527
Sunflowerseed.....	1,000 s.t.	4,263	6,323	4,946	7,080	5,650
Rapeseed.....	1,000 s.t.	3,280	3,442	3,962	3,952	4,085
Coffee.....	Mil. 60-kg. bgs.	41.0	45.3	55.0	60.0	67.4
Tea.....	Mil. lb.	1,345	1,525	1,583	1,654	1,671
Cocoa.....	Mil. lb.	1,667	2,018	1,741	1,970	2,075
Jute.....	Mil. lb.	3,885	4,327	4,200	4,666	4,566
Sisal.....	Mil. lb.	816	1,115	1,228	1,229	1,230
Henequen.....	Mil. lb.	254	275	293	309	310
Abaca.....	Mil. lb.	280	291	283	212	215

NOTE: Revised series. For tobacco, fats, oils, and oilseeds, livestock products, tea, and hard fibers, the data relate to the calendar year of the first year shown. For other commodities, harvests in northern countries in the first year shown are combined with those in the Southern Hemisphere which immediately follow.

¹Preliminary. ²28 countries. ³31 countries. ⁴1951-55 average. ⁵Dessert and cooking, 20 countries. ⁶44 countries. ⁷30 countries.

1959, gold and dollar holdings of foreign countries (excluding the Soviet Union, Mainland China, and Eastern Europe) increased to \$35.5 billion. Most of the \$3.9-billion increase went to the industrialized countries of Western Europe and Japan.

Many of the less developed countries managed to increase their small exchange reserves slightly in 1958-59, generally by anti-inflation measures and import restrictions and sometimes with the help of foreign investment, loans, and grants. Most of them still have serious balance of payments problems, arising in part from efforts to finance economic development programs.

Prices

Recovery in the demand for industrial raw materials of farm origin was not materially reflected in prices on world markets until late in 1958-59. The United Nations index of average import and export unit values (1953 = 100) for nonfood farm, fishing, and forestry products (including vegetable oils) remained at 88 or 89 in the first 3 quarters of 1958-59, in spite of increases for prices of vegetable oils and rubber. In April-June 1959, however, the index jumped to 95. Hides and fibers, especially wool, as well as rubber and vegetable oils contributed to the rise in that quarter.

The United Nations index of average export and import unit values for food, on the other hand, showed a steady decline from 95 in July-September 1958 to 87 in April-June 1959. The index for grains dropped only 2 points, from 82 to 80, but the index for coffee, tea, and cocoa fell from 95 to 80. Butter and cheese prices, however, recovered strongly from the low levels reached in the spring of 1958. Since June 1959, drought in Europe has sent them still higher.

Trade

While prices averaged lower, world trade in farm products showed some increase in 1958-59, though it still remained below the record 1956-57 level. Another increase is expected in 1959-60. With industrial output expanding, world trade in fibers and other raw materials for industry should be larger this season than last. The drought in Europe has increased import needs for feeds and some foods. World trade in food grains may decrease, however, as excellent crops were harvested in most of the principal importing countries.

Production Trends and Outlook

Agricultural production has increased sharply in most regions during the past 5 years. Much of the increase is due to better weather and much to expanded acreage in some countries, notably the Soviet Union. But much is also due to improved techniques in both the economically advanced and the underdeveloped areas.

Continued improvement in farming methods and widening use of these improvements are to be expected almost everywhere. Whether progress in all regions will be sufficient to increase output per capita substantially over the next decade or so is doubtful. Consumption is expected to outpace agricultural production at least in the Far East and may do so also in Latin America.

Regional Summary

Canadian farm output is expected to increase again in 1959 by about 5 percent. Inclement weather interfered more seriously than usual with harvesting of grains in the Western Provinces, and the total crop loss will not be known until the snows are melted in the spring. Tobacco also was injured by early cold weather. Otherwise the Canadian agricultural industry is generally in a stronger position than it was a year ago. Adequate supplies of wheat of various grades will be available for export. Some feed grain shortages may occur in parts of the Prairies until harvest is completed next spring.

In the United States, agricultural production in 1959 also increased, slightly exceeding the previous record reached in 1958. Livestock products account for the increase. Crop output equaled the 1958 record, with decreases for wheat, soybeans, and some other crops offset mainly by increases for corn and cotton. The increases in corn and cotton output reflect primarily increases in acreage, following modification of the price support programs and termination of the acreage reserve program of the Soil Bank.

Record production plus heavy beginning stocks made available supplies very large in 1959. Though demand was strong, prices to farmers averaged lower than in 1958. Demand is expected to continue strong in 1960. But, with a further increase in supplies, some further decline in farm prices and income is likely. Gross national product, at record levels in 1959, will probably be still higher next year.

Whereas farm output is up in Canada and the United States, it will likely be down in Latin America. There, production in 1959-60 is forecast at about 1 percent below last year, largely because of a sharp drop in the Mexican cotton crop. In Argentina, farm production is expected to continue at about the same level as last year. Increases are expected, however, in Colombia, Chile, Venezuela, and Central America.

Industrial development continues to expand in Latin America, particularly in Mexico, Brazil, and Venezuela. There is a general improvement in the Latin American economy and this trend, with a few exceptions, probably will continue into 1959-60. Gold and dollar holdings on June 30, however, were down from a year earlier, reflecting a drop in the holdings of Venezuela, Argentina, Cuba, and Guatemala.

Overall agricultural exports from Latin America may decline somewhat. Supplies of cotton in Mexico are down. Despite very large stocks, coffee exports will be limited by the International Coffee Agreement. Intensified import controls may lead to some reduction of imports, especially from the dollar area.

While agricultural production has made spectacular gains in some countries, such as Mexico, for the area as a whole, it is falling behind in the race with population. Should there occur any significant rise in per capita consumption of farm commodities, the supplies to sustain such a rise will probably have to come from imports.

In Western Europe, agricultural production is expected to equal the record level 1958-59. Widespread drought in northwestern Europe in the late summer and fall of 1959 cut into forage and root crop production, burned pastures, and caused some decline in milk output. The grains, however, were not affected, and output of both wheat and feed grain is at record levels. Sugar beets, potatoes, and deciduous fruits are down. On the other hand, the orange crop is expected to be a record one and olive oil output should be at near-record levels. In contrast with the situation in the previous year, there is a shortage of certain dairy products, but meat production is expected to increase, partly because of above-normal culling in some countries.

Economic activity is at high levels, and the outlook for the coming year very good. Gold and dollar holdings are at unprecedented levels. Balance of payments problems are no more a justification for discrimination against dollar goods and liberalization toward the dollar area is progressing.

U. S. agricultural exports to Western Europe declined in 1958-59, owing to a drastic decline in cotton shipments, as well as a drop in fruit exports. Grain shipments increased, however. In 1959-60, increased exports may be expected. Due to the drought, Europe will be needing considerably larger imports of feedstuffs and oilseeds. Competitive prices for U. S. cotton and greater activity in the European cotton industry should lead to greater cotton shipments. Liberalization should help exports of fruits and certain meat products.

The northern parts of Eastern Europe were also hit by the drought, but growing conditions were excellent in the Danube Basin. As a result, agricultural production in the region as a whole is expected to reach a level almost equal to that of the record 1957-58 year, and is forecast at 25 percent above the 1952-54 average. The bumper grain harvest in the south will make substantial grain exports possible, but these will only partly offset the continued large grain import requirements of the north.

In the Soviet Union, also hit by drought, agricultural output in 1959 is expected to fall short of the record production level of 1958. Despite the dry weather which prevailed in the principal agricultural areas of the Soviet Union, it appears that the outturn of most crops in 1959 - with the exception of the important grain crop - will approach the average production levels achieved during 1954-58. The grain harvest, however, was down about

one-fifth from last year's crop and probably was about 100 million metric tons, only a little larger than in 1952, the best year prior to the reclamation of 90 million acres of "New Land."

Agricultural production in Mainland China in 1959 will also be below the relatively high 1958 level. Natural hazards, of greater cumulative severity than normal, including floods, drought, typhoons, and pests, reportedly affected one-third of the nation's cultivatable land. Sown acreages of the winter grains are reported to have fallen substantially below those of the previous year. Also there was evidence of a general relaxation in work effort throughout the agricultural economy, following the exhausting tempo of 1958.

In the rest of the Far East, on the other hand, agricultural production increased in 1959. It was up 5 percent in East Asia, with 8 out of 12 countries setting postwar records. Rice production continues to increase with bumper crops expected in all countries. Wheat, barley, and corn are up. Sugar production will reach a postwar high. Copra is still down but other oil crops improved. Rubber is up 4 percent and tobacco remains at the same level as last year.

Increased exports and higher prices for raw materials have improved foreign exchange positions in most countries.

In South Asia the index of agricultural production also increased 5 percent, with both spring and fall crops up in India and Pakistan. Ceylon showed a 3-percent decrease because spring drought reduced rice and rubber production.

In India, financial conditions improved somewhat after the crisis of last year. Pakistan's new government brought a measure of stability to the economy during its first year of operation. Both of these countries are preparing new 5-year plans, and Ceylon announced a 10-year economic development program this year.

In West Asia, drought was again the outstanding feature of the growing season for the 1959-60 crops. Most of the countries in the western part of the region were severely affected. For the area as a whole, production declined about 3 percent; production on a per capita basis declined 5 percent from the prior year. Greater imports of grain into the area are needed this year. Even Syria, normally a significant exporter of grains, must import cereals for domestic consumption. Iran has an exportable surplus of wheat, an unusual situation.

Agricultural production in Northern Africa, however, is holding the gains registered in 1958-59. This is a net effect of fluctuations of crops within the individual countries. For instance, Morocco experienced a reduced production of cereal grains, whereas Egypt's rice production increased by over 50 percent from the prior year's poor crop. With total production holding steady, per capita production lost ground. Egypt is the big food-deficiency country, requiring large imports to feed the rapidly increasing population. The long-range agricultural potential is promising in Sudan, Ethiopia, and Morocco.

Little information is available on 1959-60 crop prospects in Southern Africa, where most field crops have still to be planted. Production in 1958-59 showed substantial gains as compared to the previous year. This area registered a gain also in agricultural production on a per capita basis. Wheat production in the area is small. Wheat and wheat flour are being imported in increasing quantities. Exports of specialty crops--including tropical products--will continue large. The general economy of the area is more viable this year because of an increase in the price of copper--an important mineral product of the area.

The outlook for agricultural exports in Australia and New Zealand is generally favorable. Higher foreign exchange earnings are expected in both countries as the result of favorable export prices for wool, dairy products, and meats. The overall farm output for the two countries will be slightly below 1958-59, because of the adverse weather situation in Australia affecting the crops in certain areas.

Commodity Summary

Foods and Feeds

World food grain production in 1959-60 will not quite reach the record 1958-59 level, chiefly because of a drop in wheat output. The world total for wheat is forecast at 7.9 billion bushels, down 800 million bushels from last year, but still second only to last year's crop. Estimated wheat production this season is below the high 1958-59 level in all areas except Europe. Total European production is at an alltime high; grains generally escaped damage from the summer drought, and dry weather facilitated harvesting.

The bulk of the decline in the world total from last year is in the United States and the Soviet Union. Both of these countries harvested record wheat crops in 1958 and substantially smaller ones this year. Both also had increased carryover stocks from last year's harvest. These two countries are the leading wheat producers, and their production in recent years has amounted to about 40 percent of world wheat production.

Record outturns were reported this year in both Western and Eastern Europe. This may mean reduced import requirements for wheat in normally deficit areas of Western Europe. In that area, France's record wheat crop provides a substantial surplus available for export. Increased competition may also be encountered from surplus producing areas of Eastern Europe whose wheat output is at a record level this year. At the same time, import requirements of deficit areas outside Europe are expected to remain large.

Conditions vary among other major exporters; Canada's production is higher, while the outlook is for smaller crops in the Southern Hemisphere countries, Argentina and Australia. Though Canada's production this year is about 40 million bushels larger than in 1958, total supplies for 1959-60 are about 5 percent below the 1958-59 supply because of reduced carryover stocks. Earlier reports forecast a crop of high quality but rain or snow during September and October held up harvesting, and much damp and tough wheat is expected to be threshed this year. Much also remains in the fields to be harvested next spring.

The outlook in Australia is less favorable than at this time last year because of dryness during the growing season. The present forecast is that wheat production will be down about 40 million bushels from the near-record crop last year. A substantial reduction is also expected in Argentina where present forecasts indicate that production may be about 60 million bushels less than last year as a result of reduced acreage and dryness in parts of the grain area.

World rice production in 1959-60, forecast at 4,710 million hundredweight (100 pounds) of rough rice, is 2 percent below last year's record level, despite new record production in world areas outside Mainland China. A decline in that country--producer of a third of the world's rice--more than offset increases elsewhere.

The record harvest of world areas, excluding Mainland China, is forecast at 3,000 million hundredweight, compared with the previous record of 2,943 million hundredweight, in the preceding year. Acreage increased 2 percent and yields per acre generally showed continued gains because of good weather and improved methods.

About 70 percent of the total crop of the areas outside Mainland China is produced in the importing countries, and approximately 30 percent in the exporting countries. Most of the large importing countries have good harvests--India, Japan, Pakistan, the Philippines, Malaya, and Cuba.

Total production of the exporting countries is up about 4 percent from a year ago. Burma's crop is forecast at 18.8 billion pounds of rough rice compared with 17.9 billion pounds in 1958-59. Thailand's harvest, at 16.5 billion pounds, is up 0.8 billion pounds from the preceding year. Both countries increased acreage and weather has been generally favorable.

The amount of rice to be exported in 1960 from Mainland China--in the last 2 years the third largest exporter--will probably depend to a great extent on governmental policy rather than surplus production. Though the supply situation could be a limiting factor, the country will probably continue substantial shipments of rice.

The United States has a larger amount for export this year. Production was 53 million hundredweight, compared with 47 million hundredweight in 1958. The acreage increased 11 percent, and the yield per acre, 1.8 percent.

With production up in Asian importing countries, lower grade rice will be difficult to export in 1960 as it was in 1959. Demand for average and better qualities, however, is expected to remain strong. Special export programs will also help to increase U.S. exports.

World feed grain production is expected to total about the same as in 1958-59. Lower barley and oats production is offset by a large increase in corn. A record corn crop in the United States is the dominant factor in the corn picture. The increase in the United States and a substantial one in Eastern Europe offset substantial declines in other areas. In addition, a near-record U. S. grain sorghum crop adds to this country's feed grain surplus.

Output of feed grains in Western Europe is slightly larger than last year mainly because of a good increase in barley production. That increase more than offset a reduction in oats production. Corn production is also estimated to be slightly larger than last year. Grain outturns were unexpectedly large this year since drought was expected to reduce yields more than it did. The main effects of the drought were in other feeds and pastures. Dried-up pastures forced earlier-than-usual feeding in a number of areas, and shortage of forage is likely to mean some increase in import demand for the area, despite larger crop outturns. France has a sizable barley surplus this year.

Feed grain production in Eastern Europe is well above the 1958 total. Outturns of barley and oats are large but the bulk of the increase is in corn. Record or near-record corn crops were reported for some of these countries which should have export surpluses available, especially Yugoslavia and Rumania.

World centrifugal sugar production in 1959-60 is expected to fall slightly below the record achieved in 1958-59. Planned production restraints in several countries and drought in parts of Europe and the Soviet Union combined to produce this temporary halt in the upward trend in world production. This slackened production will provide a much-needed opportunity for growing world consumption to catch up with the surplus stocks accumulated as a result of the unusually strong upsurge in sugar production in 1958-59.

World production of beet sugar this season is forecast at about 22.5 million tons, a drop of about 6 percent from the record output in 1958-59. Lower yields of sugar beets this year, particularly in the drought areas of Europe and the U.S.S.R., more than offset the increase in acreage harvested. Supplies of beet sugar in Western Europe continue ample, however, because of the large carryover from the 1958-59 season. Recognizing this situation, some countries have recently introduced measures designed to limit future sugar beet production.

Cane sugar production in 1959-60 is forecast at 32.1 million tons, which is slightly more than last year. Small increases in many countries about offset reductions in a few major producing countries, principally Cuba, Brazil and Australia. Trade and unofficial sources indicate Cuba's production in 1959-60 will be about 6 million short tons, compared to 6.6 million in 1958-59. Production in Australia was curtailed in view of limited domestic and foreign markets, and in Brazil because of the heavy export surplus carried over from the previous season.

Noncentrifugal sugar during 1959-60 is placed at 9.3 million tons compared to not quite 9 million in 1958-59. Production of this type of sugar is believed to have increased appreciably in the three major producing countries, Mainland China, India, and Pakistan.

World trade in sugar in calendar 1958, excluding U. S. trade with its territories, was 16.8 million tons, about the same as in 1957. In recent years, world trade has failed to increase as fast as world production. This has meant that the increased production of sugar in considerable part has been absorbed in increased consumption at home or in the accumulation of stocks or both. The pronounced weakness in world prices for sugar which has persisted since early 1959 reflects the feeling of world traders that supplies of sugar are now very large.

World citrus production in 1959-60 may reach or exceed last year's high level. Though Italian lemon production is expected to drop, orange and grapefruit output in the Mediterranean region will probably show another increase. U. S. citrus production is expected to be larger than in 1958-59. With demand in importing countries continuing strong, citrus exports should expand.

World production of deciduous fruit, on the other hand, will be down. European crops of dessert apples and pears are considerably smaller than last season, especially in the importing countries. This will be reflected in an increase in trade.

Production of canned deciduous fruit in Southern Hemisphere countries during 1959 was less than in 1958, although available supplies were heavy, owing to large carry-in stocks. At the same time, the U. S. deciduous canned fruit pack in 1959-60 will be larger than in 1958-59.

World supplies of raisins and dried prunes are much larger this marketing season than last, or than average. Supplies of dried apricots are also larger. Competition in dried fruit markets will be keen.

Almond crops in both the United States and foreign countries reached record levels in 1959. World supplies of walnuts and filberts, however, are down from 1958-59 to near normal, owing to small U. S. walnut and Turkish filbert crops.

The world bean crop in 1959 is also down from last year. A decrease of 20 percent is estimated for Brazil and 3 percent for the United States. These two countries alone produce about two-fifths of the world's total. Production also dropped in some of the smaller producing countries, including Japan, Chile, and France, but increased in others, such as Mexico, Turkey, Portugal, and Greece.

Potato production is smaller than last year in all the major producing regions. Drought cut output in the Soviet Union and in northern Europe where a large volume of the production is used for livestock feed. Production in Canada fell below average. In the United States, the crop is short of last year's very large harvest, but still moderately above average. Import demand for potatoes has strengthened in Canada and northwest Europe. However, plant quarantine regulations will probably prevent shipments of fresh potatoes from North America to Europe.

World production of vegetable oils in 1960 is expected to approximate the record 18 million tons produced in 1959. While some decline may occur in edible and industrial seed oils, this decline will be more or less offset by an expansion in the palm oils, particularly coconut oil.

Edible oil production will approach but probably not reach the alltime high of 1959. The sharp expansion foreseen in olive oil output likely will be offset by declines in peanut, soybean, and sunflowerseed oils. Major increases will be in European olive and U. S. cottonseed oils; major decreases will be in Russian and Argentine sunflowerseed, Chinese and possibly Indian peanut, and Chinese and Mexican cottonseed oils. The substantial increase foreseen in Nigerian peanut production may be offset by the decline expected in French West African output.

An increase of possibly about 5 percent may be expected in the palm oils in 1960, with the expansion largely in coconut oil. Output of coconut oil should be somewhat larger than in 1959 when world supplies of copra and coconut oil were reduced by a prolonged drought to the lowest level since 1948. However, no sustained relief from the shortage is expected before mid-1960.

Output of industrial oils in 1960 will be less than in 1959, mainly because of the decline in world flaxseed production in 1959. The U. S. crop is down 45 percent, Canada's crop is down 6 percent, and Argentina's may be down slightly. Of the four major producing countries, only India harvested a larger crop than in 1958. Early indications are that India's production from the crop to be harvested early in 1960 will be down again.

World demand for vegetable oils, oilseeds, cake, and meal remain strong. European requirements in 1959-60 will be larger than last year because the drought reduced the length of the pasture season and cut back the production of hay and other forage crops, thereby lengthening the barn-feeding season and increasing the need for protein supplements. Reduced butter output may also increase the demand for margarine.

Consequently, world exports of oilseeds and oil in calendar 1960 will probably be at least as large as in 1959, when they are expected to total 6 million tons of oil equivalent. The United States, which supplied almost one-fourth of the 1959 total, should be able to maintain or increase its share in 1960.

World exports of oilseed meals (including the meal equivalent of oilseeds) in 1959-60 probably will also be at least as large as last season. U.S. exports will likely exceed the record 1958-59 export of 3 million tons. These exports usually account for over one-third of the approximately 7.5 million tons moving in world trade.

World supplies of grass and legume seed are expected to be adequate for the crop year 1959-60, despite unfavorable conditions in some important producing areas. Heavy snow-fall over much of the Prairie Provinces of Canada during the forepart of October left 50-75 percent of the legume seed crop still unharvested. What percentage of this seed may still be harvested is questionable. Legume seed production in the United States is also down slightly compared with 1958. In contrast, however, alfalfa and clover seed production in Western Europe is reported to be considerably above last year, as a result of the dry weather. It may be expected, therefore, that the movement of legume seeds in international trade will be somewhat less in the 1959-60 crop year than in 1958-59. The United States usually exports large quantities of alfalfa and ladino clover seed.

A considerably different situation is in prospect for grass seeds. Preliminary reports indicate that the 1959 U. S. production of grass seed will be about 10 percent above that of a year earlier. Canada also has a larger crop of grass seed with the exception of creeping red fescue. Grass seed production in Western Europe, however, suffered from drought. The use of Dallis grass has been increasing in the United States, and the supply of seed available for export from Australia is larger than normal because of the good crop produced in 1958-59. As a result, international trade in grass seed is expected to show an increase over that of 1958-59.

World livestock numbers are continuing to increase moderately. Numbers of all species are expected to reach new record totals in 1960. Increased production has been encouraged not only by population growth but also by the postwar rise in incomes and living standards in many countries. These fairly rapid gains in living standards are likely to continue to be reflected in increases in per capita meat consumption and a growing world demand. For the world as a whole, prospects for meat-animal producers, particularly cattle, appear bright.

World meat production rose substantially in 1959 but a more moderate rise is expected in 1960. Production of all types in 44 countries in 1958 totaled 95.5 billion pounds, about the same as in 1957 but 17 percent more than the 1951-55 average. Beef and veal production was 15 percent above the average, pork production was 19 percent higher, and output of lamb and mutton was up 17 percent.

World trade in meat in 1959 is expected to exceed the high level reached in 1958, when record imports by the United States were a dominant development. U. S. imports rose to 1.1 billion pounds, equal to 18 percent of recorded world exports, but to only 4 percent of U. S. production. Low-quality beef accounted for most of the imports; they increased from nearly all sources. U. S. meat imports increased moderately again in 1959 but may decline in 1960.

Imports by the United Kingdom, the world's leading meat importer, during 1958 declined 5 percent to 3.3 billion pounds and accounted for 57 percent of the world's imports. Imports by Western Europe, including the United Kingdom, declined 8 percent to 4.0 billion pounds, and included 70 percent of all meat entering world commerce.

While total imports by Western Europe declined, some countries in that area increased their takings. Also contributing to the high level of trade in 1958 were unusually large imports of meat by Canada and the Philippines. Exports from Australia, New Zealand, Argentina, Denmark, Ireland, and several Eastern European countries continued large.

The substantial increase in 1959 world meat production over 1958 has permitted an increase in per capita consumption in spite of a steady but more moderate rise in population. Meat consumption during 1958 was considerably above the 1951-55 average in most areas of the world.

World lard production, which was a record 13.0 billion pounds in 1959, will probably increase only slightly in 1960. U. S. hog slaughter is expected to rise 1 percent in 1960, compared with a 12-percent gain in 1959. Canadian slaughter is expected to decline 7 percent in 1960 following a 32-percent rise the previous year. Output in most other major producing countries will remain relatively stable. West German output will increase slightly following the decline in 1959.

World exports of lard in 1959 are expected to total 750 million pounds, compared with 625 million in the previous year. U. S. exports are running about 50 percent higher, accounting for the increase. In 1959, U. S. exports will be about 73 percent of the world's lard trade, compared with 62 percent in 1958. They are expected to continue to rise in 1960. Increased supplies have tended to make U. S. lard more competitive pricewise in

world markets, and the opening of the St. Lawrence Seaway has stimulated the development of bulk shipments, which has further reduced landed costs in the United Kingdom.

World production of tallow and greases in 1960 is likely to be somewhat above the 1959 level of 6.7 billion pounds. A further increase in U. S. output is expected, with increases in both cattle and hog kills. Very little change is forecast for tallow production in the other major producing areas.

World exports of tallow and grease will total about 2.0 billion pounds in 1959, up 8 percent from 1958 and near the 1956 peak. Exports from the United States accounted for the increase; shipments from other major suppliers were about the same as a year ago. As a result, the U. S. share of the world tallow and grease trade rose to 65 percent in 1959. In 1960, U. S. exports are expected to be up further as domestic supplies increase and prices are favorable for export.

In contrast to meat, world milk production in 1959, estimated at 6,600 billion pounds, was down slightly from the record level of 1958. This decline interrupts the upward trend in evidence since 1956, and was caused mainly by a decline in output in Western Europe and in North America. Production in Western Europe declined mainly because of the persistent drought throughout the summer and early fall in several areas. In North America, production in the United States was down slightly for the second year in succession, while output in Canada was maintained at about the 1958 level.

World butter production in 1959 is estimated at 10.2 billion pounds, down about 3 percent from 1958. Lower milk production, some diversion to other manufactured products, and an increase in consumption of fluid milk limited the amount of milk available to creameries for butter. Output of cheese was up slightly. Nonfat dry milk and some other processed milk products will show a slight decline from 1958. Production of dry whole and canned milks increased.

The pattern of world trade in dairy products in 1959 varied from that of the record year 1958, with exports of butter down and of cheese slightly greater, but with trade in canned and dried milks somewhat higher. The decline in the volume of butter exports was mainly the result of smaller beginning stocks as well as smaller production, particularly in the minor exporting countries of Western Europe. Exports of cheese increased, mainly because of heavier shipments from the Netherlands and Denmark. World trade in canned and dry whole milk increased, and international trade in nonfat dry milk was at record levels.

Egg and poultry production in the principal producing countries was at a record level in 1959. Output of poultry meat was up in nearly all countries, with increases being most pronounced in the United Kingdom, Canada, the United States, Denmark, the Netherlands, and Israel. Egg production continued at or near record levels in most of these countries.

World trade in shell eggs, despite the attainment of self-sufficiency in eggs by the United Kingdom, increased to new record levels. West Germany is now the largest importer of eggs, accounting for over half of world egg imports. The Netherlands and Denmark remained the leading egg exporters, followed by Canada, the United States, and Eastern Europe. Canada's entry into the egg export trade on a sizable scale in 1958 and 1959 was influenced by the price support program for eggs, under which the government acquired large stocks of surplus eggs. U. S. exports of eggs were down sharply in 1959, but exports of poultry meat were at a record level.

The volume of trade in poultry meat continued to expand sharply during 1959. Growing demand for chicken meat, principally broilers, in Western Europe was largely responsible for this increased volume. West European imports of poultry meat in 1959 will total about 280 million pounds, up 30 percent over 1958. Prospects appear favorable for continuance of a high level of trade in poultry meat through 1960.

Beverages and Tobacco

World production of green coffee for the marketing year beginning October 1959 is estimated at 67.4 million bags (132.276 pounds), an alltime record and 7.4 million bags above 1958-59. World exportable production for 1959-60 is estimated at 57.5 million bags, at least 15 million above probable world exports during this season. This means a further build-up in world surpluses. The carryover at the end of 1958-59, September 30, 1959, totaled about 38 million bags, almost the equivalent of a year's total world exports.

Coffee prices remained relatively stable in 1959 but at a level considerably below the 1958 average. The 1959 prices were about half of the peak level of 1953-55.

An International Coffee Agreement was signed on September 24, 1959, for the October 1959-September 1960 marketing year. The new agreement replaces and broadens the Latin American Agreement which was in effect during 1958-59. African producing countries, along with 15 Latin American producers, are participating in the new agreement, which is basically a fixed-export quota arrangement.

The short-term objective of the 1959-60 agreement is reasonable stability in prices through limiting world exports to levels roughly equivalent to operating requirements. A long-time objective is to increase world consumption and design other measures that would help bring world supplies more nearly in line with requirements.

World cocoa bean production during 1959-60 is estimated at nearly 2.1 billion pounds, an increase of 105 million pounds over the relatively good crop of 1958-59.

The world's 1959 cocoa availabilities were somewhat above consumption. This resulted in a slight increase in world stocks. The United States, which is the world's largest cocoa consuming country, had a decline in grindings of 2.8 percent for the first 9 months of 1959 as compared to the comparable period in 1958. World trade in cocoa products, and especially U. S. cocoa powder imports, was considerably higher in 1959 than in previous years.

World supplies of cocoa in 1960 should be adequate for requirements. There will probably be some increase in consumption as well as production.

World production of tea continues to increase, and for 1959 is estimated at 1,671 million pounds, excluding Communist China and the U.S.S.R. This compares with 1,654 million in 1958. In India and Ceylon, the two largest producing countries, production was at about the same level as in the preceding year. However, production continues to increase in Africa, where the industry is relatively young, and also in Argentina.

The United States is second only to the United Kingdom as a market for tea, and imports during 1958 amounted to 103.3 million pounds, up slightly from the previous year. Per capita consumption, however, remained at about 0.6 pounds per person.

World tobacco production in 1959 is estimated at 8.4 billion pounds--up 1 percent from 1958. Flue-cured, at about 3 billion pounds in 1959, easily was the most important kind grown. The 1959 crops of flue-cured in several major producing countries exceeded 1958 levels. The U. S. flue-cured crop, about 1.1 billion pounds, was the same as in 1958, but was 19 percent below the 1950-54 average. The flue-cured crop in the Federation of Rhodesia and Nyasaland reached the record figure of 195 million pounds in 1959. Canada, however, suffered a major setback when storms and severe late-season frost damage reduced the harvest substantially below the 1958 record of 181 million pounds. Flue-cured, as usual, was the most important kind of tobacco moving in Free World trade.

The world crop of oriental leaf--which ranks next to flue-cured in world trade--was just about the same as the 1958 total of 1.1 billion pounds.

Incomplete figures indicate that Free World exports of unmanufactured tobacco in 1959 will approximate 1,500 million pounds. In 1958 they totaled 1,478 million pounds--practically the same as in 1957. These figures compare with an average of 1,251 million for 1950-54. About 80 percent of total Free World tobacco exports in 1958 consisted of light cigarette leaf--mainly from the United States, the Federation of Rhodesia and Nyasaland, Turkey, Greece, India, Yugoslavia, and Canada. The U. S. share in Free World exports dropped from 34 percent in 1957 to 33 percent in 1958, and is likely to decline further in 1959.

Rising cigarette output in most countries is reflected in the importance of cigarette tobaccos--principally flue-cured and oriental--in world trade. Cigarette smoking was at an alltime high in 1958--up about 4.5 percent from 1957 and 25 percent larger than the 1951-55 average. The gain in output of filter-tipped cigarettes continued in 1959, probably reaching about 50 percent of total U. S. cigarette consumption, and about 60 percent in West Germany.

Fibers

The world cotton supply of slightly over 68.0 million bales of cotton in 1959-60 will set a new record, about 1.5 million bales above the previous high in 1956-57. It will exceed last year's supply by over 2.0 million bales and the average for the last 5 years by about

3.0 million bales. A sharp rise in the U. S. supply, resulting mostly from a 3.3 million-bale increase in the 1959 crop, is only partly offset by a smaller carryover and crop in the rest of the Free World. World stocks of about 21.5 million bales on August 1 were about unchanged from a year earlier, with a decrease of 1.0 million bales, or 10 percent, in foreign Free World importing countries being offset by increases in Communist countries and the United States.

In the 1959-60 season, for the first time since World War II, a decline will take place in the sharp upward trend of cotton production outside the United States. However, world production, at about 46.7 million bales, will again set a new record. The U. S. crop of 14.8 million 500-pound bales, while up 3.3 million from 1958, is only about 0.8 million bales larger than the 10-year average (1948-57) as a result of a record-high yield and a 3.2-million-acre increase in harvested acreage from the 82-year low of 11.8 million acres in 1958. The aggregate decrease in foreign production of about 0.8 million bales from 1958-59, although not general, is about equally divided between Free World and Communist countries. From a trade viewpoint, the decrease is of most significance in exporting countries, including Mexico, Central America, Syria, and Uganda.

World cotton trade in 1959-60, estimated at about 14.5 million bales, will exceed the low level of a year earlier by 1.5 million bales, or about 11 percent. It will be the largest since 1956-57, when U. S. exports reached 7.6 million bales and the world total aggregated 15.8 million. Leading the increase will be the United States, with exports of around 5.5 million bales, almost double the 1958-59 level. Other Free World exporting countries will share in the expanded market for cotton this season and, with exports of around 7.5 million bales, close to the average of the last 5 years, are expected to reach season's end with smaller stocks of upland cotton than in 1959. Significant factors influencing the rise in world cotton trade include: (a) continuation of the upward trend of cotton consumption, especially in importing countries, but including the United States and other exporting countries; (b) probable restoration to normal levels of depleted stocks of cotton and textiles in importing countries; and (c) market stability resulting from returning confidence in the availability of ample supplies of desired qualities at lower and more competitive prices.

World cotton consumption in 1959-60 may reach about 46.0 million bales, another record high. This will exceed last year's figure by about 2.0 million bales and will be about 10 percent above the most recent 5-year average. Consumption increases are expected in most countries, including the United States. The increase will be greatest (about a million bales) in foreign Free World importing countries, reversing the trends in the last two seasons. Improved economic conditions abroad are strengthening the demand for cotton textiles, and burdensome inventories of finished goods have been reduced. Lower and more stable cotton prices in world import markets, along with continued increases in population and in the demand for cotton as fashion wearing apparel, will stimulate consumption and improve cotton's competitive position with manmade fibers.

World wool production in the 1959-60 season is estimated at 5,445 million pounds, grease basis, compared with 5,310 million in the previous season. The outlook is for continued expansion in Australia, New Zealand, and South Africa. In Argentina and Uruguay, however, output is expected to decline because of the heavy rains and floods in 1959. U. S. shorn wool production increased 5 percent in 1959 to the highest level since 1947 and may increase further in 1960.

World wool consumption, which declined in 1958, rebounded strongly in 1959. As a result, wool prices in 1959 have risen sharply from their low reached late last year. Stocks in major producing countries are down sharply, as the very large carryover in Argentina and Uruguay has been virtually eliminated. Stocks in consuming countries were somewhat higher but not high in relation to current consumption levels.

World jute production in 1959 is estimated at 4,600 million pounds, compared with 4,666 million in 1958, and 4,200 million in 1957. Pakistan and India, producers of 95 percent of the world supply, report slightly lower outturns than in 1958. Brazil ranks third in production, with about 2-1/2 percent of the world total.

Increased supplies in 1958-59 were reflected in lower prices for raw jute. Prices of jute goods in 1958-59 were also lower than in 1957-58.

World consumption of jute goods has remained practically unchanged for several years. Substitutes, such as kenaf, and the use of paper bags, synthetics, and bulk handling

have become important enough to modify the upward trend which otherwise would occur in the use of manufactured jute materials.

World production of the principal hard fibers--abaca, henequen, and sisal--was 1,750 million pounds in 1958 compared with 1,804 million in 1957, but will be somewhat larger in 1959. Abaca is expected to increase slightly because of higher Philippine output and butcher harvesting in Central America. Sisal and henequen production are larger, especially in East Africa and Mexico.

Demand strengthened as a result of larger 1958 harvests throughout Europe and North America and increased needs for rope in Japan and the United States. Buying to replenish raw fiber supplies continued well into 1959. Prices of each of the three fibers rose substantially during 1959, with the average for January-September being the highest in 5 years for this 8-month period.

Situation by Country and Area:

Canada

Canada's 1959 agricultural production is estimated at least 5 percent above that of 1958, provided losses from unharvested grain are not too heavy. The increase is attributable to greater output of wheat, oats, hogs, and poultry. Net farm income is also expected to be higher in 1959 than in 1958. Agricultural exports for 1959 are expected to approach the \$1-billion level achieved in 1958. For the second quarter of 1959 the Gross National Product was running at an annual rate of \$34.7 billion, a gain of 2 percent over the first quarter of the year. As prices were only slightly higher, this represented largely an increase in the physical volume of output. Consumer spending continued high.

Changes in farm policy during the year include a new law providing for federal aid to Provincial crop insurance programs that may be established. The embargo on turkey imports was modified to permit imports on a quarterly quota basis. The hog price support program will shift in January 1960, from government purchasing of pork cuts to government making of deficiency payments covering the difference between the support price of \$23.65 per hundredweight carcass-weight basis at Toronto and the average price of hogs for the year.

Canadian grain and flaxseed production this year still remains uncertain, owing to the unfavorable weather in the Prairies, where a percentage of the crops is still in the fields. Substantial wheat and flaxseed acreages, and some oats, barley, and hay crops remain unharvested in the Prairies. How much of these crops will be harvested will not be known until spring.

Canadian 1959 wheat production based upon the last official estimate places the crop at 414 million bushels, 11 percent above last season's. Canadian carryover supplies of wheat, amounting to about 546 million bushels, were the lowest since 1955. Canada's wheat supply, however, is sufficient to fulfill this season's export and domestic demand, and leave a carryover next July 31 of around 500 million bushels (providing the loss in unharvested wheat is not too heavy).

Feed grain supplies are about 3 percent below last season's. Hay and forage crops are about 10 percent larger. In a few districts in the Prairies, the late hay crop may not be harvested this fall. Exports of oats have been stimulated by the European drought. Barley exports to the United States are expected to increase over the 1958-59 marketing year, but total exports may not equal last season.

Livestock numbers on June 1, 1959, were about 5 percent larger than a year ago. Production of beef and pork increased by about 14 percent during the calendar year 1959 over 1958.

Hog numbers on June 1, 1959, of 6,872,000 head were 11 percent above those of a year ago. Beef cows increased 4 percent to 2,085,000 head, while yearling heifers decreased 2.3 percent to 706,000, and steers decreased 3 percent to 1,122,000.

Total milk production in 1959 is expected to be close to 18 billion pounds, a little under 1958 production, from a milking herd one-half to 1 percent smaller than the previous year's.

Poultry production in 1959 has continued at a high level. Egg production has been running 4-1/2 percent above 1958 production. Compared with 1958, chicken broiler production is up 17 percent. Turkey production, aided by import controls, is up almost 27 percent.

Canada in 1959 will again be a net exporter of oils and fats. The 1959 production of oilseeds is down about 17 percent, as flaxseed, rapeseed, and soybean crops are smaller. How much flaxseed will be harvested is still uncertain. Production of lard, tallow, and marine oils are up about 20 percent, while butter production is down 7 percent. Canada in 1959 became a net exporter of lard, and this position is expected to prevail again in 1960.

Production of apples in Canada in 1959 is estimated at 13 percent below the high level of 1958, but still 7 percent above the 1955-56 average production. All tree fruits, including tender tree fruits, are generally below the levels of last year. Small fruit production was also lower.

Fresh vegetable production was up compared to 1958. Total acreage contracted for processing crops, however, was lower than in 1958, particularly for tomatoes. The crop of potatoes for 1959 is estimated at 34.5 million hundredweight, or 5.8 million below that of 1958 and 3.4 million below the 1952-56 average. The output of dry peas is forecast at 15 percent above 1958, while dry bean production is expected to be 10 percent greater than in 1958.

The 1959 tobacco crop was reduced about 20 percent by wind, hail, and frost damage. The crop is estimated at 140 million pounds of flue-cured, 10 million pounds of burley, and 5 million pounds of cigar tobacco.

The sugar beet crop was estimated at 1,250,000 tons-- 5 percent below the record crop last year. Harvesting became a serious problem because of the continued bad weather.

Seed prospects are uncertain because of the early snow storms in western Canada. The volume of grass seeds available for export may be curtailed.

United States¹

Very large supplies of agricultural commodities were available in 1959. Stocks at the beginning of the year were heavy and production was record. Demand for agricultural commodities was strong, but, with supplies large, prices averaged lower than in 1958-- particularly for hogs and poultry products. Gross national product in the United States was record large in 1959, substantially above the year-earlier total despite the downturn in industrial production during the work stoppage in the steel industry in the latter half of 1959. Prospects for 1960 are for a continued strong demand for agricultural commodities, a further increase in supplies, and some further decline in farm prices and income. Output of all goods and services (GNP) probably will be higher again next year, with increasing consumer purchasing power and expenditures.

Agricultural production was record large in 1959, close to the year-earlier total but about a fourth more than the immediate postwar (1947-49) average and two-thirds above prewar (1935-39). Crop production was equal to the 1958 record and output of livestock and livestock products was up a little to reach a new record.

The crop acreage harvested was a little larger than in 1958, but a decline in yields per acre had an offsetting effect. Corn production was considerably greater in 1959 and a record. The cotton crop was significantly higher than the year-earlier small one, though only moderately exceeding the average for 1948-57. For both commodities, the output increase over 1958 was due primarily to substantially larger acreage. In 1959 the allotment program for corn was abandoned, and the support price was established at 90 percent of the average market price in the 3 preceding years. For cotton, the 3.2 million increase in harvested acreage was due largely to the termination of the acreage reserve program of the Soil Bank. Cotton growers were given the option in 1959 of planting their regular allotted acreage and receiving a government support price based on 80 percent of parity, or planting up to a 40 percent larger acreage, with a reduction of 15 percentage points of parity in the support price. The latter resulted in increasing cotton acreage by about 1 million acres.

¹Prepared by the Agricultural Marketing Service.

Among the other major crops, larger output, 1959 compared with 1958, also occurred for rice, dry edible beans, dry field peas, fruits, tobacco, and sugar. Offsetting the increases were reductions for wheat, rye, feed grains other than corn, hay, soybeans, peanuts, potatoes, and vegetables. Despite reduced output, supplies of wheat remained very large because of heavy stocks from crops of previous years. Production of most major crops exceeded the corresponding average for 1948-57. Output of livestock products reflected increases over 1958 for meat (particularly pork), lard, eggs, and poultry. Milk production was nearly as large in 1959 as a year earlier.

The economic climate in the United States remained generally favorable in 1959 even though the work stoppage in the steel industry temporarily halted the rise in employment and income during the second half of the year. Gross national product was substantially higher than in 1958, when the economy experienced a recession in the early part of the year and recovery during months which followed. Increased activity was reflected in all major sectors of the economy, particularly in domestic investment. Consumer disposable income was moderately higher than in 1958, both in the aggregate and on a per capita basis. Demand for consumer goods and services was strong, mainly for such durable goods as automobiles. Demand for farm commodities was at a very high level but, with supplies very large, prices farmers received for these commodities averaged somewhat lower than in 1958, as did farm income.

Civilian per capita consumption of food was a little higher in 1959 than a year earlier. It exceeded the 1947-49 average by 3 percent and the prewar (1935-39) average by 13 percent. Among the major foods, the increase over 1958 was largest for meat, poultry, fresh and processed citrus, potatoes, coffee, and cocoa products (bean equivalent). Partly offsetting were reductions for fresh deciduous fruits and fresh and processed vegetables. For the other groups the consumption rate in both years differed little. Civilian per capita disappearance of fibers was noticeably higher than in 1958. The sharp increase for cotton was contrary to the long-term downtrend. Civilians apparently used more tobacco products per person during the 1958-59 marketing year than in the previous season. However, in terms of leaf equivalent the increase was much more moderate. Despite increased cigarette production in recent years, quantity of domestic tobacco used has gained little because of the continued expansion in the use of "sheet tobacco" in manufactured tobacco products, greater use of stems, use of less tobacco per cigarette, and increased use of imported tobacco.

Imports of agricultural commodities were a little higher than in 1958, reflecting the record-large receipts of meat and coffee. Exports are expected to be up slightly in calendar 1959, with increases for wheat and flour, rice, fats and oils (including oilseeds) and fresh citrus more than offsetting reductions in cotton, tobacco, and some dairy products. As in 1958, government programs--particularly Public Law 480--were important factors in the export picture.

Current prospects are for continued large supplies of agricultural commodities in 1960. With average weather, crop production will again be large. Grain production will be supplemented by heavy carryover stocks. Output of livestock products will be large next year. Indications are that there will be more beef cattle and calves on farms and ranches at the end of 1959 than at the beginning. Farmers are expected to raise large crops of hogs again in 1960, although a little smaller than in 1959. Fewer dairy cows and heifers will be on farms than at the beginning of 1959, but milk production in 1960 will likely equal or slightly exceed the year-earlier total because the rate of culling may be less than in recent years and milk output per cow will likely continue to increase. Supplies of eggs and poultry for meat are expected to be about as large as in 1959.

The demand for agricultural commodities is expected to continue strong in 1960. However, heavy supplies of agricultural commodities and an increasing volume of livestock marketings may keep prices farmers receive and income from farming somewhat below the average for 1959. Prices consumers pay for food are expected to average a little lower in 1960. Consumer expenditures for food in the United States may total a little higher than in 1959, reflecting the effects of the larger population and some increase in the amount of marketing services purchased with food, rather than increased consumption per capita.

Prospects for 1960 are that civilian consumption of food per capita will be at about the 1959 rate. Some increase is expected for meat--principally beef--fresh oranges, and dried fruit. The rates for other major foods will likely be close to those of 1959. Civilian per

capita disappearance of fibers in 1960 may not be as large as a year earlier, though above the rate in 1958. Per capita usage of tobacco production in the 1959-60 season may be up some from that in 1958-59, with the increase in terms of leaf equivalent likely to be smaller.

Exports of agricultural commodities are expected to remain large in 1960. They will be facilitated by the continuation of various forms of United States Government assistance and by the easing of some import restrictions abroad.

Latin America

Agricultural output in Latin America in 1959-60 is expected to decline slightly from the 1958-59 level largely because of a sharp reduction in the Mexican cotton crop. Increases in total agricultural output are anticipated in Colombia, Chile, Venezuela, and Central America, whereas Argentina probably will have a total production at about the previous year's level. Overall per capita output for the area next year probably will fall below the 1952-54 average as population numbers continue to climb.

U. S. agricultural exports to the 20 Republics in 1958-59 dropped to \$460 million from the \$522 million last year, reflecting a loss in exports to Mexico of about 40 percent. Gold and dollar holdings on June 30 were up somewhat above the December 31, 1958, figure, but down slightly from June a year ago. Most of this decline was in Venezuela, the second market (following Cuba) for agricultural exports in 1958-59. Exports in 1956-60 probably will not exceed those of the previous year.

Production.--Agricultural production in Latin America in 1958-59 was 18 percent above the 1952-54 average, but is expected to go down in 1959-60. On a per capita basis, a decline of almost 4 percent from last year is forecast. For the five principal producing and exporting countries--Argentina, Brazil, Colombia, Cuba, and Mexico--total output probably will be down, with declines in Mexico, Argentina, and Cuba.

Farm production in Argentina in 1959-60 is expected to be slightly below the level of a year ago, with some shift in crops. Late rains prevented sowing of early crops in some areas and official estimates indicate a decline of about 18 percent in wheat and 5 percent in flaxseed area. A shift to later crops provides prospects for near-record plantings of corn, sunflowerseed, and sorghums. Improved prices will probably stabilize and possibly expand production of meat and livestock products.

Production in 1958-59 dropped 7 percent below that of the preceding season. The drop reflects a decline, estimated near 25 percent, in meat output, and also severely reduced harvests of cotton, sunflowerseed, rice, and tobacco. These reductions were partially offset by expanded output of wheat, barley, and potatoes, and near-record production of corn, fruits, sugar, and wool.

Production of Brazil's principal export crops (coffee, cacao, sugar, and cotton) was relatively high in 1958-59, and is likely to remain so in 1959-60, in response to measures to stabilize markets. Coffee production in 1959-60 may possibly increase by 10 percent. Stocks will continue to increase, adding to the very high carryover at the end of

LATIN AMERICA: Population Rising Rapidly, Production Not Keeping Pace

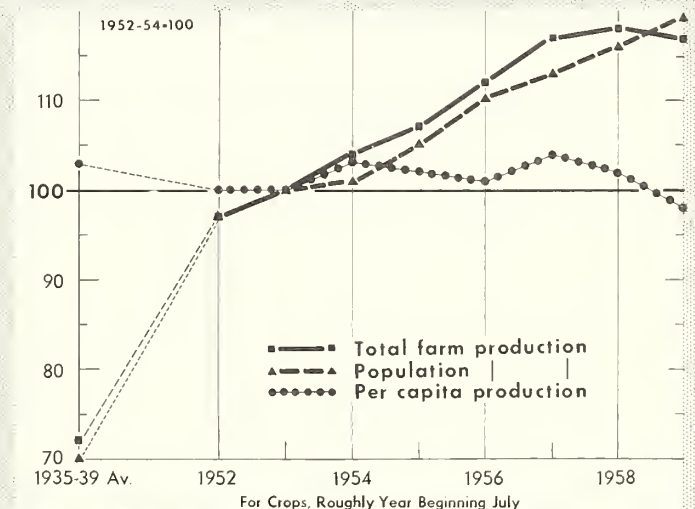


TABLE 3.--Latin America: Indices of agricultural production, total and per capita, by countries, revised 1957-58 and 1958-59

[1952-53 to 1954-55 = 100]

Country	Total		Per capita	
	1957-58	1958-59	1957-58	1958-59
Argentina.....	112	104	102	93
Bolivia.....	93	97	88	91
Brazil.....	120	124	107	109
Chile.....	114	115	101	99
Colombia.....	115	121	103	106
Costa Rica.....	105	120	87	95
Cuba.....	119	121	107	107
Dominican Republic.....	124	127	105	104
Ecuador.....	129	137	113	117
El Salvador.....	128	135	108	110
Guatemala.....	115	113	99	94
Haiti.....	103	90	97	84
Honduras.....	129	139	110	115
Mexico.....	135	147	117	124
Nicaragua.....	133	137	113	112
Panama.....	114	127	99	108
Paraguay.....	105	108	94	94
Peru.....	97	94	86	81
Uruguay.....	97	85	91	78
Venezuela.....	116	116	100	97
Total Latin America.....	117	118	104	102

the 1958-59 season. Besides the purchase program for coffee, the government attempts to stabilize the cacao market by purchasing unlimited quantities, and is reported to be embarking on a purchase and stockpile plan for sugar.

Most domestic food crops are expected to be larger in 1959-60 in almost all instances, owing to a currently active demand, high support prices, and several official programs which involve easy credit terms and other production incentives. The wheat forecast is for an increase over 1958-59, but still below normal. Total agricultural production continues to increase, but at a rate little more than normal population rise.

Prospects are for a continued steady upward trend in Colombian agricultural output in 1959-60. The coffee crop is expected to be the largest on record and add substantially to the already-high coffee stocks. Improved weather and an expansion in area are responsible for the increase in 1959 above 1958. Cotton led the rise, but potatoes, rice, and barley were all up. High support prices, easier credit, protection against imports, improved technology, and colonization programs are intensifying production and bringing new areas into cultivation. The greatest boom in agriculture is in the lower Magdalena Basin and the Atlantic Coast area, where cotton production is expanding rapidly and land is being cleared for cattle raising, rice, and other crops.

As a result of sweeping reforms in Cuba since January 1, 1959, when the new government came into power, a crop forecast for the year 1959-60 becomes increasingly difficult. However, reports indicate that the 1960 sugar crop may be restricted to somewhere between 5.8 million and 6.0 million short tons because of the expected large year-end carry-over. If the crop is unrestricted, it may approximate the size of the 1959 restricted crop. Although the government is intent on rice self-sufficiency, it is thought that the 1959-60 crop will increase by not more than 15 percent over the previous year. Tobacco may again reach its usual size. The coffee crop, which was down sharply in 1959 as a result of revolutionary activities and hurricane damage, is also expected to return to about normal size. Beef production was up slightly in 1959 and a further increase is possible for 1960, but

pork declined and no significant production rise is expected. Marketing of poultry and eggs continued on the upward trend of recent years. Production of milk and dairy products was down in 1959 as a result of revolutionary activities but is expected to recover in 1960.

Mexican agricultural production in 1959-60 probably will be down from the high level of a year earlier, largely because of the reduced crop of cotton, which is estimated at 27 percent below that of last year. Stocks of cotton at the beginning of the 1959-60 marketing year were the largest in several years, but the exportable surplus is being reduced rapidly and the country likely will end the season with a considerably reduced carryover. The condition of the corn crop is good and a record harvest is anticipated. Prospects for the 1959-60 citrus and coffee crops are also promising. Recent heavy rains seriously damaged banana plantations in Tabasco and caused some loss to cacao and corn in that State. Minor damage is also reported in the Bajío district of Central Mexico to corn, bean, and strawberry crops. The hurricane that hit the States of Colima and Jalisco in October caused severe losses to banana, sesame, copra, and lime crops as well as heavy losses of subsistence food crops, including corn and beans. Commercial production of new oil crops, such as safflower, soybeans, and oil palm, is expected to increase during 1960, although cottonseed oil will be down sharply. Stocks of fats and oils have been reduced during the past year from earlier high levels. Government support of farm prices for corn, wheat, beans, and fresh eggs continues, and domestic production is protected by high tariffs as well as through import licensing.

Early frosts, late storms, and heavy rains in 1958-59 reduced somewhat Chile's yields of wheat, rice, beans, potatoes, and grapes below that of 1957-58. However, increased production of other farm commodities raised total production slightly over the previous year. Indications are that there will be a slight rise in Chile's crop and livestock output in 1959-60. Although production of barley may be smaller, that of other grains may rise. Some increase is forecast for pulses, with a continuous rise expected for vegetable oils, sugar, fruits, and most animal products.

Uruguay's total agricultural production in 1959-60 is not expected to show much change from the low level of 1958-59. Meat production will rise but a further 10-percent drop in wool output is forecast. Production of wheat, barley, and oats may be lower than 1959, owing to late rains which prevented spring planting. Much of this area may be planted to later crops with near-record production possible for corn and sunflowerseed.

The year 1958-59 has been an important one for Venezuelan agriculture and it is anticipated that 1959-60 will be another. The past year has seen more agricultural credit, more development programs, more cooperatives, and more protectionism than ever before. There have also been increased plantings and greater yields and production of several commodities. Corn production is increasing sufficiently to meet demand for human consumption, with greater use of hybrid seed, but high prices make animal feeding impractical. Rice production is back to normal through use of medium grain disease (hoja blanca) resistant varieties. Cotton production is up in response to the increased tariff on textiles, and the government action to restrict imports of cigarettes will boost tobacco production next year. Sugar production is increasing but there is still a deficit. Coffee and cacao production seem to be stabilized with small gradual production increases possible as a result of development programs. On the other hand, milk production is growing rapidly.

Peru's 1958-59 total agricultural production declined slightly from that of 1957-58. A serious drought threatened early in 1959 but it was broken in February by rains that lasted into April and May. There was some decline in production of sugar, potatoes, rice, and vegetable oils, but on the other hand, coffee and cacao registered increases, while animal products remained about the same.

The outlook for agricultural production in 1959-60 is favorable for rice, meat, coffee, and certain other tropical products. The recent removal of price controls on many foods is seen as a factor in increasing domestic production.

Crop and livestock production in Central America is trending upward and output of the staple foods, corn, rice, and beans should be up in 1959-60 above the previous year. Record coffee crops are forecast, but cotton production is expected to be down. Lower cotton prices discouraged credit extension of marginal producers but coffee growers are trying to increase yields and some are expanding acreage. Government support prices for corn, rice, and beans will keep production up and protective tariffs will encourage the vegetable oil industry. Production of livestock products continues to rise.

Agricultural production in The West Indies is expected to increase as a result of the many development programs. Martinique and Guadeloupe had an outstanding sugar year in 1958-59, but the 1959-60 crop is likely to be short in both islands as a result of drought. In Martinique the acreage of bananas and pineapples is being steadily increased at the expense of sugar. In Surinam, production and acreage are increasing steadily for rice, sugarcane, citrus, and other crops as additional land is being brought into production through land reclamation projects.

Economic Conditions.--Industrial development continues to expand in Latin America, particularly in Mexico, Brazil, and Venezuela. Although the rate of growth varies from one country to another, there is a general improvement in the Latin American economy. The year 1959-60 will probably witness a continuation of this trend, with exceptions here and there. U. S. private capital investment in Latin America in 1958 and the first half of 1959 fell below the high level of 1957. Investment in agriculture continued to fall, particularly in Cuba. Gold and dollar holdings on June 30 were down from a year earlier, reflecting a drop in the unusually high holdings of Venezuela. The only other countries to show a decline from June 1958 were Argentina, Cuba, and Guatemala.

The Argentine economy showed signs of strength and stability in 1958-59 under new trade and monetary reforms, but inflation continued as a major obstacle to national recovery. Reduced imports may produce a favorable balance of trade for 1959 and new policies are encouraging expansion of foreign investment, particularly in the petroleum industry. Mounting inflation still plagues Brazil, and balance of payments problems continue. Petroleum production set new records during the first 6 months of 1959, however, and despite problems new industries have been established.

Rise in domestic production and the world price for copper improved Chile's balance of payments, raising dollar and exchange reserves to the highest level in recent years. However, inflation presented a problem, with a price rise estimated at 30 percent during the first 10 months of 1959. Colombia's economy is recuperating and a new wave of confidence is developing. Except for one year, exports of coffee in 1958-59 were the highest on record. Venezuela is still in relatively good financial condition despite the drop in gold and dollar holdings. Wages are going up and labor productivity in industry is reported high.

Trade.--Agricultural exports from the principal countries may decline somewhat in 1959-60 because of reduced supplies of cotton in Mexico and Central America, the limitations imposed on coffee exports by the International Coffee Agreement, and a possible restriction on the Cuban sugar harvest. Intensified import controls may lead to some reduction of imports, especially from the dollar area.

Despite somewhat lower production, Argentina's 1959 farm exports were near the 1958 level. Although small exports of wheat and other cereals are in prospect, a larger volume of corn and other products may hold trade at about the same level in 1960. Even though coffee exports from Brazil are controlled by quotas, foreign sales of other crops should be stimulated by recent increases in export bonuses. Under the Coffee Agreement, Colombia probably can maintain coffee exports near the 1958-59 levels, but Cuban sugar exports in 1959 are running well below a year ago. The Mexican export quota for cattle and beef for the year beginning September 1, 1959, is 700,000 head, of which 380,000 will be live cattle and 320,000 head are to be exported as beef. But in addition to lower cotton exports, Mexico will also have less bananas to sell. Central America, on the other hand, should export more bananas in 1960 than in 1959.

Wheat and flour will continue to be the principal agricultural import into the area. Brazil is the major importer of this product. That country also may import some barley malt, deciduous fruit, largely from Argentina, dried fish, and small quantities of dairy products.

U. S. agricultural exports to Latin America in 1958-59 declined from the high level of the year before, and some further reduction is anticipated in the coming year. Cuba remains the principal market for U. S. farm products in the area. Exchange controls and surcharges already imposed on certain types of agricultural imports may have more effect during the next 12 months in curtailing U. S. exports to that country than the positive increase in its local production. Venezuela, the second Latin American market in 1958-59, has taken steps to restrict or control imports of a long list of items including powdered milk, cigarettes, canned vegetables, and dietary foods. This, together with increased production, is expected to change the future trade pattern. The United States is losing its

share of the market for such products as shell eggs, the market for which has shifted to Canada, and powdered milk, which has shifted to Canada and the Netherlands.

Latin America has been the United States' best customer for several important farm commodities over the past several years. It has taken from three-quarters to more than nine-tenths of such things as breeding cattle, cured pork, dried whole milk, barley malt, oatmeal, pear juice, and, until the past year, shell eggs.

The United States takes more than half the total exports of Latin America, including more than three-fourths of the coffee and sugar and almost all bananas and canned beef.

Long-Range Outlook.--Over the next 10 to 15 years Latin America is expected to accelerate its economic development and work out its balance of payments difficulties. The establishment of regional markets looking toward an eventual Latin American or Western Hemisphere common market may stimulate greater effort to achieve goals of high living standards, even though the effects of such arrangements may not all be favorable. In the shorter run, particularly, the drive for self-sufficiency and the consequent tighter trade controls may slow down development. The regional markets, however, are gaining acceptance rapidly. Three of the Central American countries have ratified and deposited instruments of ratification of the Central American Free Trade Treaty. Two others have signed. Panama is giving serious consideration to changing from observer to participant in the negotiations. The countries of southern South America have signed an accord looking toward a regional arrangement, and Colombia and Ecuador have signed a similar accord.

Population is growing at the rate of 2.5 percent each year, with even higher rates for Venezuela, Mexico, and Central America. Food and fiber needs 10 years from now will be higher accordingly just to maintain present per capita levels of consumption. While agriculture has made spectacular gains in some countries, such as Mexico, it is falling behind in the race with population. There is little doubt that the governments of the Latin American countries will continue and probably intensify production incentives so that not only will more land be brought into cultivation but output will be augmented by higher yields.

In the long run, however, it can be expected that agriculture, even though expanding, will continue to represent less and less of the total national product, and that most if not all of any rise in per capita consumption of farm commodities will come from imports. If U.S. products are available at competitive prices the U.S. should share in this expanding market.

TABLE 4.--Western Europe: Indices of agricultural production, total and per capita, by countries, prewar and 1957-58 to 1959-60¹

Country	Total				Per capita			
	Prewar	1957-58	1958-59 ²	1959-60 ³	Prewar	1957-58	1958-59 ²	1959-60 ³
Austria.....	94	112	122	122	97	111	121	121
Belgium.....	73	105	112	106	77	102	108	101
Denmark.....	77	112	111	103	91	109	108	99
Finland.....	81	105	107	109	105	100	102	104
France.....	83	106	108	110	88	102	103	107
West Germany....	84	104	112	106	103	99	106	97
Greece.....	85	132	124	131	103	128	119	125
Ireland.....	91	107	92	100	90	109	94	102
Italy.....	80	105	118	116	89	103	115	112
Netherlands.....	73	101	105	101	91	96	98	94
Norway.....	81	107	110	106	95	103	105	100
Portugal.....	79	109	100	95	94	106	96	91
Spain.....	93	106	108	117	109	103	104	112
Sweden.....	80	95	90	94	92	92	87	90
Switzerland.....	89	98	109	103	104	93	102	95
United Kingdom..	63	107	102	100	68	105	100	98
Total Western Europe	81	106	109	109	92	103	105	104

¹Excluding food produced from imported feed. ²Preliminary. ³Forecast.

Western Europe

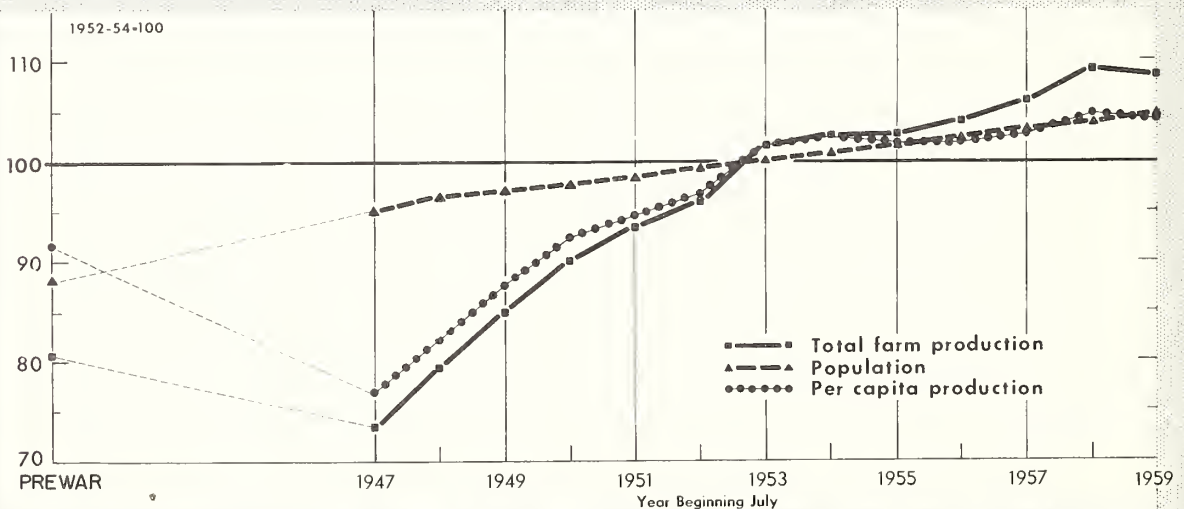
A prolonged drought in Europe north of the Alps has cut 1959 production of forage and root crops well below last year's level and caused milk production to decline. However, a larger output of other agricultural products, especially of grains, will offset the decline. For Western Europe as a whole the net agricultural production in 1959-60 is forecast almost unchanged, or at 108.7 compared with 109.2 in 1958-59 (1952-53 - 1954-55 = 100). There is wide variation between countries. For Spain, Greece, and Ireland, production is forecast 7-9 points above the previous year, for Germany, the Low Countries, and Denmark 4-8 points below.

The small decline in total production, combined with the normal population increase, is expected to bring the index for per capita production down from 105 to 104. However, because of the high level of economic activity in Europe and the trend toward more liberal import policies, greater imports rather than reduced consumption are likely to result from the decline in per capita production. Feedstuffs, oilseeds, and dairy products especially are needed in increased quantities.

Production.--The drought in northwestern Europe began to make itself felt in June. Rains in late July brought only temporary relief, and the drought continued in most areas until the end of October, scorching pastures, reducing root crops, and making fall plantings difficult. Grains were far enough advanced when the drought began that they were not affected in most countries. The wheat crop is above the former record level, and preliminary figures also point to a record crop of feed grains. While the grain harvest in northwestern Europe normally suffers from too much rain, this year's crop was brought in under ideal conditions and is reported to be of excellent quality.

Most European countries harvested larger wheat crops than in 1958. The total crop is estimated at 1,385 million bushels compared with 1,340 million the previous year, despite smaller acreage. France, Europe's largest producer and exporter, had a record crop and may have an export surplus of close to 75 million bushels. In Italy, on the other hand, smaller acreage and too much rain combined to reduce the crop by nearly 50 million bushels. While Italy in 1958-59 exported nearly 33 million bushels of wheat, this year's crop is about equal to domestic needs. The Spanish wheat crop is large and the country will be a net exporter. Greece and Sweden are likely to have small net exports. The major wheat importing countries, the United Kingdom, Germany, and the Low Countries,

**WESTERN EUROPE: Farm Output Leveling Off,
Per Capita Output Lower**



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harvested good to excellent crops, and a larger share is of milling quality than is normally the case. These four countries had total wheat imports of some 340 million bushels in 1958-59. Thus, reduced needs in Western Europe's importing countries as well as increased supplies in its exporting countries will bring net imports of milling wheat in 1959-60 well below last year's level.

Feed-grain production is up in Western Europe owing primarily to a continuing upward trend in barley production. Acreage and yields of barley in 1959 were large. The greatest increases occurred in France and the United Kingdom, where price policies have aimed at encouraging the production of barley at the expense of wheat. German production is also substantially above previous years. Oats continue downward, though very moderately this year. The 1959 corn production is a record, but is not so important in Europe's total coarse grain production. Although the production of feed grains is large and the quality good, the need for imports will be above last year's level because of a shortage of roughage in the countries which even in normal years rely heavily on imported feeds--the United Kingdom, Germany, Denmark, and the Low Countries--and because there may be less domestic wheat used as feed. Furthermore, the growing broiler industries in these countries call for some increase in feed grain imports.

Roots and tubers in Northwestern Europe were affected by the drought. The sugar beet crop is down in more than half of the countries, and the total West European crop is estimated down by 15 percent. The sugar content of the beets is high, however, and sugar production may be reduced only 12 percent. Furthermore, sugar stocks at the beginning of the season were very large, so that the deficit can be covered, for the area as a whole, by drawing down stocks. In the Netherlands some sugar beets intended for sugar production will be used for feed, and the same has been suggested in Germany. Some countries would like to import sugar beet pulp. The potato crop, which in northwestern Europe is important for food and feed as well as industrial use, has been further reduced from last year's below-average level. Basically, the crop is ample for food needs, and the reduction is likely to hit the feed supply in several countries, contributing to their import needs for feedstuff. Such increases in imports of potatoes for food as may occur are likely to take place next spring and be directed toward the 1960 crop of early potatoes, although France is reported to be increasing its imports already this fall, possibly to prevent price increases.

The deciduous fruit crop in 1958 was a record one and this year's output will be much lower. Apples are the most important fruit, and production of table apples is about three-fourths the exceptionally large production in 1958. Compared with 1957 the crop is up by nearly one-third, however. Germany, Switzerland, Austria, and France especially report greatly reduced apple production, whereas Italy has a crop about as large as last year's record. For citrus fruit the outlook is good. The Spanish and Italian orange crops may both be records. The Italian winter lemon crop, on the other hand, is expected to be down by some 15 to 20 percent. Wine production will be large, and the 1959 vintage is expected to be of rare quality.

Western Europe's small cotton production is up this year, mainly because of larger acreage in Spain, where cotton production in 1959-60 will be about equal to one-half the country's needs. Small increases in tobacco production in France and Italy are less than the declines in Greece and Germany. Olive oil production is much greater than in 1958 in all producing countries. Total output may be up by over 700 million pounds. Oilseed production is of some magnitude only in France and Sweden and to a lesser extent in Germany. Increased production in Sweden against smaller output in France is expected to keep total output this year close to the 1958 level.

Pastures and hay production suffered from the drought. In the Netherlands the second hay crop reportedly did not materialize, and in the United Kingdom it was light. In Germany, hay production is estimated down by 14 percent. The quality, however, is generally good. In some areas, such as parts of Denmark, pastures were already thin during the summer months, and supplementary feed had to be used. As the drought continued into late summer and fall, farmers in all of the drought-stricken countries had to start using winter feeds, a practice which was encouraged by the favorable price for dairy products. Since the drought made seeding difficult or impossible and germination poor this fall, it is feared that pastures in 1960 also will suffer effects of this year's drought. Rains that came in late October and early November improved the situation somewhat.

Gross livestock production may increase slightly in 1959-60. The output of beef may be boosted by above-normal cullings because of the shortage of roughage. Hog numbers are large and, unless feed prices discourage the use of imported grains, the output of pork is likely to increase or at least remain comparable with 1958-59 production. Output of poultry meat will probably continue to increase. Though broiler production is still modest, there is a strong upward trend for instance in the United Kingdom.

Milk production will necessarily be affected by the difficult feed situation. The poor pasture situation came at a time when several countries were contracting their dairy enterprise under influence of the disastrously low butter prices in 1958. In France, for instance, farmers were following the government's advice in shifting from dairy to beef production. In Denmark and the Netherlands above-normal use of concentrates encouraged by good dairy product prices kept milk production as late as October at 1958 levels or above, but serious declines are expected later. In the United Kingdom milk production has for some time been below last year's level. Butter and cheese output in 1959-60 are expected to show declines, while demand remains strong, so that Western Europe's import needs are likely to be increased. Due to the feed shortage, there is considerable interest in dried skim milk.

Economic Conditions.--The 1958 recession in Western Europe did not take on serious dimensions. In the course of 1958-59 the area's economy showed increasing signs of strength and expansion, and the outlook for 1959-60 remains bright. Indices of industrial production rose steadily, and for June 1959 stood at the alltime high of 144 compared with 136 in June 1958 for the OEEC countries combined (1953 = 100). Unemployment has declined to the point--in some countries--where scarcity of labor presents a problem, exerting pressures on wage levels. The governments of several countries are urging that wage increases be held to the level permitted by increases in productivity. With that in mind they exert their influence to keep consumer price indices from advancing, a factor in recent French efforts to purchase from the United States food products in short supply in France due to the drought.

Europe's gold and dollar reserves have been growing steadily, and reached \$23.2 billion on June 30, 1959, compared with \$19.9 billion a year earlier. Most recently France and Italy have been responsible for most of the increase. A significant sign of the strength of the economy of European countries was the resumption of external convertibility of sterling and most other West European currencies at the turn of the year. By preceding it with a 15-percent devaluation of its overvalued currency, France was able to participate in the move. For United States export interests this convertibility move was a welcome one, underlining the fact that balance of payments problems no longer are a valid reason for discrimination against dollar goods. In the October meeting of the International Monetary Fund the subject was discussed extensively. Subsequently, the Fund's Executive Directors adopted a decision to the effect that "there is no longer any balance of payments justification for discrimination by members whose current receipts are largely in externally convertible currencies." Member countries are urged to proceed as rapidly as possible to eliminate such discrimination. Most European countries recognize that changed circumstances call for such action as well as for greater participation in the task of providing economic aid to less developed countries.

During 1959 the European Economic Community, or Common Market, has further developed its institutions and policies. On January 1 the first 10 percent tariff reductions and liberalization of quotas among the six countries--Germany, France, Italy, and the three Benelux countries--went into effect. To a certain extent these measures (insofar as they concerned industrial products) were extended also to outside countries. The Community is currently working on the formulation of its basic common agricultural policy, including such important aspects as the general price level for agricultural products which the Community will aim at and the measures by which this price level will be attained and agriculture protected.

Efforts to create a Europe-wide association, in the form of a European Free Trade Area, in which the Common Market would be aligned with some or all of West European countries broke down late in 1958. Under the leadership of the United Kingdom and Sweden an alternative plan took shape in the summer of 1959. As a consequence Norway, Denmark, Austria, Switzerland, and Portugal in addition to the United Kingdom and Sweden are now engaged in drafting a treaty concerning their proposed European Free Trade

Association. As in the Common Market, agricultural products will be subject to special arrangements. It is the hope of many of those instrumental in the creation of this new regional association that it will eventually lead to a Europe-wide association. In the meantime Greece and Turkey are seeking association on special terms with the Common Market.

Due to the fundamental reluctance of member countries to abandon their agricultural protection, the countries included in both of these regional groupings have turned to bilateral agreements as a means of granting each other concessions in the agricultural field. The long-term French-German grain agreement and the British-Danish agreement which contemplates British tariff reductions on bacon and certain other products are outstanding examples of this bilateralism. This trend runs counter to the demand for an end to discrimination.

Trade.--The effects of the 1959 drought will tend to increase Western Europe's demand for U. S. farm products in 1959-60, especially for feedstuffs. There will be larger imports of U. S. cotton because of competitive prices and greater activity in the European textile industry. Furthermore, recent liberalization of dollar goods in the United Kingdom, Denmark, Germany, and France have included a variety of fruit products which can be expected to move in greater quantities. With butter in low supply and butter prices in some countries at unprecedented high levels consumption of margarine may be expected to increase. The demand for imported oilseeds may therefore go up in Northern Europe. Since increased supplies of oilcake also are needed, U. S. soybeans should be in a good position to fill part of this need. In southern Europe, however, the very large olive oil crop will reduce the demand for vegetable oils.

Exports of U. S. farm products to Western Europe fell from \$1,679 million in 1957-58 to \$1,530 million in 1958-59. Cotton exports dropped from a value of \$456 million to \$181 million. Fruit also declined, because of Europe's exceptionally large crop. However, larger shipments of grains made up for a considerable part of the decline. Western Europe took 35 percent of U. S. grain exports in 1958-59. The United Kingdom continued to be the largest market for U. S. farm products, taking over one-quarter of the value of all U. S. agricultural exports to Europe in both years. Germany and the Netherlands rank second and third in importance in Europe and were surpassed only by Canada, Japan, and in the case of the Netherlands, by India.

The United States supplied 11.2 percent of all Western Europe's agricultural imports in 1958-59, a decline compared with the 2 preceding years. The U. S. share declined for all major commodity groups, except tobacco.

TABLE 5.--U. S. share in Western Europe's imports of agricultural products, by share, by value, 1951-58¹

Year	Principal products imported from the United States							Total all agricultural products
	Grains and preparations	Cotton and lintens	Tobacco, unmfg.	Fats, oils, oil-seeds ²	Fruit and nuts	Livestock products for food ³	Total	
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1951.....	38.7	31.0	59.2	12.1	⁴ 5	3.8	⁴ 23	⁴ 15
1952.....	29.9	40.6	38.9	11.9	5.7	1.3	20.5	11.7
1953.....	25.7	32.8	53.8	8.9	5.4	1.4	16.9	9.5
1954.....	17.2	33.4	49.9	16.1	6.3	1.5	16.5	9.8
1955.....	27.1	27.2	47.0	18.6	6.3	2.0	17.4	10.9
1956.....	32.7	27.8	45.3	19.7	10.4	2.3	19.4	12.5
1957.....	29.5	51.6	47.1	22.1	8.4	1.6	21.6	13.2
1958.....	26.2	41.0	47.3	17.2	7.8	1.7	17.6	11.2

¹Excluding Spain, data for which are not available. ²Excluding butter. ³Including butter and live animals mainly for food. ⁴Partly estimated.

Compiled from data published by the Organization for European Economic Cooperation.

TABLE 6.--Western Europe's total agricultural imports and percentage distribution, by source, 1952-58¹

Year	Total	United States	Canada	Latin America	Western Europe	Eastern Europe ²	British Commonwealth ³	Non-British overseas territories	Other countries
	<u>Bil.dol.</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
1952.....	14.1	11.7	4.9	10.1	21.2	3.6	27.1	8.8	12.6
1953.....	13.4	9.5	4.8	13.1	22.6	2.4	29.0	9.2	9.4
1954.....	13.9	9.8	3.3	13.4	23.6	2.6	29.6	10.1	7.7
1955.....	14.6	10.9	3.8	11.6	24.3	2.4	30.6	7.1	9.3
1956.....	15.7	12.5	4.2	12.6	24.1	2.9	27.3	9.0	7.4
1957.....	16.5	13.2	3.7	12.7	24.3	2.8	27.5	7.7	8.1
1958.....	15.2	11.2	4.0	12.5	25.8	3.5	25.8	8.8	8.4

¹Excluding Spain, for which comparable data are not available. ²Includes the Soviet Union, the Soviet satellites, Yugoslavia, and Finland. ³Excluding the United Kingdom and Canada.

Compiled from data published by the Organization for European Economic Cooperation.

Trade liberalization was expanded in practically all European countries during the past year. In France and Spain where all imports had previously been subject to quantitative restrictions, liberalization was a part of important overall economic reform programs. By bringing about a sounder economic situation, in particular a much improved foreign payments position, these reforms have bettered the long-range outlook considerably. The liberalization moves made in these and other West European countries during the year are impressive from the overall point of view--the percentage of total private trade liberalized from the dollar area is now quite high in most countries. There have also been notable additions to the lists of agricultural products which now can be imported freely (or in increased quantities) into Western Europe, for instance cotton in France, certain meat, poultry, and dairy products in the United Kingdom and Germany, and fruit products in a number of countries, as mentioned. However, liberalization of major commodities in the agricultural field is difficult to attain because of the pronounced agricultural protectionism in most countries.

Long-Range Outlook.--In general the growth in agricultural production which will occur in coming years can be expected to be in livestock output more than in crop production. The important producing countries in Europe do not desire any further expansion of wheat output and several have taken steps to encourage contraction. Sugar production has also been considered too high in a number of countries. What will happen to feed grain production will depend to an important degree on the policies adopted by the Common Market. It can hardly be doubted that the area has the technical potentialities to become self-sufficient in these products, as in most foods and feeds if it chooses. The agricultural production and trade policies it puts into effect will therefore have an important bearing on the long-range outlook for U. S. farm exports to Europe.

Eastern Europe

Agricultural output in Eastern Europe during the 1959-60 consumption year will exceed that of 1958-59 in spite of unfavorable growing conditions in some areas. Production is estimated at 125 percent of the 1952/53-1954/55 average compared to 120 the preceding year and 126 for the record 1957-58 year. In the Danube Basin (Hungary, Rumania, Bulgaria, and Yugoslavia), production will exceed the record 1957-58 year; in the north (Poland, Czechoslovakia, and East Germany) output will be less than in either of the 2 preceding years. Output per capita remains below the 1933-37 average level for the area as a whole. In most of the southern countries it has been reached; in the north, it has not.

With increased agricultural production an important goal of all East European countries, and with a continued improvement in farm technology (still relatively primitive), output can be expected to continue to increase, weather permitting.

Production.--An exceptionally large grain harvest in the southern countries is the principal reason for the 1959-60 increase in production over the previous year. Expansion of area sown with hybrid corn and Italian wheat seed has played an important role.

The estimated bread grain crop (wheat and rye) of Eastern Europe surpasses that of 1958 by about 10 percent and is slightly above the record 1957 crop. The harvest of feed grains exceeds that of any previous year, largely because of record corn crops in Yugoslavia and Rumania. A summer drought in the north lowered the yields of barley and oats in Poland, East Germany, and Czechoslovakia. Also pasture conditions and hay yields in these countries were very poor.

This year's potato crop is about equal to last year's, with a decline in the northern countries offset by a small increase in the south. Sugar beet production for the area as a whole shows an increase because of larger area and yields in the south; in the northern countries, output is about 6 percent below that of 1958.

Shortage of winter feed in the north may lower milk production there enough to offset any increases in the south. It also may result in continued heavy slaughter in the north. Here and in the south, growing demand for meat for export as well as for home consumption in 1958-59 had already brought increased slaughter at the expense of livestock capital.

Policy.--Increased pressure for collectivization in some areas, Poland's new agricultural program, and Bulgaria's push toward a rapid completion of its current 5-year plan were the significant developments in agricultural policy during 1959 in Eastern Europe. Major provisions of Poland's new agricultural program are to speed up mechanization and to intensify the activities of the cooperative associations (agricultural circles) in the development of socialization. The "circles" will own and control the cooperative use of farm machinery. In Bulgaria, unrealistic higher production targets aimed at doubling agricultural output by 1962 and tripling it by 1965 were announced.

Complete socialization of agriculture and increased production (especially of livestock products) continue to be the principal goals of the East European countries. Collectivization is considered the means of attaining these goals in most of the countries. In Bulgaria, where collectives have been consolidated into larger units, and in Czechoslovakia, Albania, and Rumania the agricultural area already has been largely collectivized. In Hungary, Rumania, and East Germany the collectivized area was considerably expanded during 1959 after a period of relaxation. In Yugoslavia and Poland, where collectivization has been halted, socialization is expected to be accomplished gradually by cooperation between the individual farmers and the socialist sector through government-sponsored cooperatives.

State procurement continues in varying form throughout the area. In general, a system whereby collections are made at fixed prices through direct contracts with the producers supplements or has replaced the compulsory delivery system.

Following the example of the Soviet Union, farm machinery on Machine Tractor Stations is being sold gradually to the collectives in most of the East European countries. In Yugoslavia, the machinery is available to the producers through the cooperatives.

Food Consumption.--Levels in Eastern Europe continue to improve, but grain (rye and wheat) and potatoes in the north, and grain (wheat and corn) in the south still make up the bulk of the diet. With continued emphasis on increased living standards and the trend toward better quality foods, demand for livestock products has increased in recent years along with increased income. Meat shortages have occurred in several areas (Poland, Yugoslavia, and East Germany) and in spite of price increases to cut demand, they have persisted. As a result of the drought, vegetable and potato shortages have also appeared, and in some areas limited degrees of rationing have been introduced. Consumption of fats and sugar, still low in the Danubian countries, is also increasing.

Trade.--With excellent crops in the south, the Danube Basin countries should have a substantial exportable surplus of grain, mostly corn, in 1959-60. Yugoslavia will not need to import wheat or lard for the first time since 1950-51.

Grain exports from the south, however, will only partly offset imports into the north. Shipments of grain to Eastern Germany, Czechoslovakia, and Poland in 1958 from the Soviet Union and the United States alone totaled some 4 million metric tons, including over 3 million tons of bread grains and nearly 1 million of feed grains. Probably as much or

more will be required in 1959-60 to maintain food consumption and help relieve the shortage of feed.

Both parts of Eastern Europe will continue to be net exporters of meat (including live animals) and eggs, though net exports of meat from the north may well decline.

Soviet Union

Crop Production.--The total crop acreage for harvest was reported to be 484 million acres in 1959, an increase of about a million acres over the 1958 figure. Total crop acreage has remained approximately the same since 1956, the year which marked the completion of the "New Lands" program. Although there was little change in the total crop acreage in 1959, indications are that the acreage under grain and pulses decreased by about 15 million acres, to a level of approximately 295 million acres, thus continuing the downward trend in grain acreages from the alltime high of 317 million acres in 1956. Most of the loss probably was sustained by small grains and pulses, although the acreage of corn harvested for grain undoubtedly was reduced by drought conditions in the principal corn areas. On the basis of sketchy reports, it appears the acreage under feed crops other than grains increased by about the same amount as the decrease in grain acreage--15 million acres. If so, the acreage of these feed crops has increased by more than 40 million acres during the past 4 years. With the exception of the area under sugar beets, which reportedly increased by more than a million acres in 1959, and by about 40 percent during the past 2 years, the acreages of other principal crops remained relatively stable.

The 1959 crop season in the Soviet Union stands in marked contrast to that of 1958. During 1958, ample moisture reserves were accumulated during the winter, spring was both late and wet, and above-average precipitation was recorded during the growing season in most of the important agricultural areas. The result of these extremely propitious conditions was the largest harvest ever garnered in the Soviet Union. Conversely, in the 1959 crop season, below-average precipitation during the winter precluded the accumulation of adequate soil moisture reserves, a dry early spring aggravated the situation, and below-average rainfall during the growing season led to abnormally dry conditions in most of the important agricultural areas. Drought conditions were reported in the traditional bread-basket of the Soviet Union--the North Caucasus, Volga, and Ural regions and the Ukraine. The only important area which apparently had better-than-average weather in 1958-59 was the eastern "New Lands."

The dry weather reduced the outturn of most crops in 1959 substantially below the record levels of 1958, but crop production probably approaches the average levels of 1954-58.

Grain production apparently will be somewhat below the 1954-58 average, or about one-fifth below the record harvest of last year. Although corn acreage reportedly increased by about 7 million acres in 1959, the outturn of corn (in dry-grain equivalents) may be only half as great as last year, owing to the drought-induced necessity to utilize much of the corn as green feed and to salvage much of the remainder as silage.

Although the yield of sugar beets was below the average of the preceding 5-year period (and only two-thirds as great as last year), it appears that the outturn of beets will be second only to the record crop of 1958, as a result of the increase of more than a million acres under beets.

Due to reportedly favorable growing and harvesting conditions, a good cotton crop is expected. The output of sunflowerseed (production of which is centered in those areas which were hardest hit by drought) is expected to be about two-thirds as great as last year's crop. Production of potatoes and vegetables also is expected to fall below the average of the preceding 5 years.

Livestock and Livestock Products.--The number of animals in the communal herds continued to increase during 1959, but no information has been made available on total livestock numbers. Larger than usual feed supplies from the bumper crop of 1958, and the advent of an early spring, substantially increased the output of animal products--especially during the first 6 months of the year. Meat production during the third quarter probably was boosted by an increase in the rate of slaughtering, occasioned by the drought-induced shortage of summer pasture and other green feed. The quantity of feed ensiled

this year is approximately the same as in 1958. However, shortages of straw, hay, and other forage crops likely will preclude increases in the output of animal products during the first half of 1960 of the magnitude attained during the first 6 months of 1959.

Procurement and Trade.--Reflecting the relatively unfavorable weather of 1959, government procurement of field crop products will be substantially lower than the record level of 1958, with the possible exception of cotton. This year's sugar beet crop, which was second only to that of 1958, will result in procurement of sugar beets substantially above the 1954-1958 average.

As of early November, the important grain procurements totaled 46 million metric tons--indicating that total procurements for the year may reach 47-48 million. Although approximately 15 percent below the record grain procurements of 1958, this quantity is the third largest in Soviet history. Considering the large carryover from the 1958 crop, this will cover the usual domestic requirements and should leave sizable quantities available for helping to meet the domestic shortage of livestock feed, or for export. The shortage of livestock feed in Poland, East Germany, and Czechoslovakia, as well as the shortage of roughage feed in much of Western Europe, may encourage Soviet grain exports at a relatively high level even though grain is in relatively short supply in the U.S.S.R.

Agricultural Policy.--The number of collective farms has continued to decline since the reorganization of the Machine Tractor Stations in March 1958; concomitantly, the average size of the collectives has increased. From a total of approximately 76,000 at the time of the reorganization, the number has fallen at a rate of more than 1,000 a month; it was about 60,000 as of mid-1959. This decrease has been characterized by the amalgamation of collective farms into larger units in order more efficiently to utilize the machinery parks of the former MTS, and also by the conversion of collective farms into state farms, the latter reportedly "at the request" of the collective farmers involved.

The newest institutional form to appear in Soviet agriculture is the intercollective farm enterprise. Under the stimulus of the Communist Party, this form of economic organization is spreading rapidly, and many collective farms are now jointly engaged in constructing mutually beneficial agricultural processing plants, electric power stations, roads, drainage networks, farm machinery repair shops, and so forth. This program is advantageous to the state, as it places more of the burden of rural development on the collective farms, and also provides more employment for the agricultural labor force during the slack season.

In June of 1959, Khrushchev reminded the Soviets that although a law had been passed in 1956 to limit the ownership of livestock by urban dwellers, there had been only a small decrease in the number maintained in urban centers. At the same time, he suggested that a law be passed prohibiting the ownership of livestock by city dwellers. As a result, several Republics have enacted such legislation, including the largest and most important agricultural Republics--the Russian, Ukrainian, and Kazakh. According to the decrees, the urban owners were enjoined from slaughtering their livestock, and were ordered to sell to collective and state farms. The penalty for noncompliance after October 1, 1959, is confiscation at the low 1958 obligatory delivery prices. Thus, all livestock owned by urban workers and employees was to have been transferred to the socialized sector. Deprivation of the workers and employees of their livestock reduced the importance of the private sector as a source of livestock products, and enabled the socialized sector to achieve remarkable gains in livestock numbers and in the output of livestock products during 1959.

The most recent innovation in Soviet agricultural policy is a socialist emulation program aimed at recruiting engineers and technicians from industry for work on collective farms as permanent members of the collectives. The program was initiated in mid-October when a number of engineers and technicians from industrial plants in Kiev Oblast "expressed the desire" to work on farms. The Communist Party of the Ukraine added impetus to the program by calling for "the organization of a mass movement of the best engineer-mechanics and technician-mechanics from industry for work in the collective farms." Although the program is confined to the Ukraine at present, other regions probably will follow suit. This program probably was occasioned by the reported reluctance of workers of the former Machine Tractor Stations to transfer to collective farms, especially to those located far from urban centers. This is not a reversal of the flow of labor from agriculture in response to the stringent labor situation in the industrial sector, but rather is an effort to achieve better utilization of the agricultural machinery park, to increase the

mechanization of agricultural production, and subsequently to increase labor productivity and reduce the costs of agricultural production.

Outlook.--Although detailed agricultural production plans for 1960 have not been announced, the general objectives have been released. Agricultural output is to be increased by higher yields, by greater regional specialization, and by a limited expansion of the sown acreage. The planned output of 152 million metric tons of grain in 1960 seems to be overly optimistic, as this would mean an increase of about 8 percent over the officially reported level of the record harvest of 1958--or more than a third over the 1954-58 average harvest. Plans to increase meat production to 10.6 million metric tons (slaughter weight) and milk production to 72 million tons will be difficult to achieve in view of the drought-depleted feed supplies available for winter feeding of livestock.

In the years ahead, a sizable increase in agricultural output probably will be achieved. By 1965, the terminal year of the current Seven Year Plan, the Soviets plan a 70-percent increase in gross agricultural output over the 1958 level. However, as the bumper year of 1958 is the base for the planned growth, the increase in agricultural production which actually will be achieved by 1965 undoubtedly will fall far short of the planned increase.

Mainland China

Indications are that total 1959 agricultural production in Communist China will be below levels reached the previous year. The prospects for food grains are that they will not come up to 1958 yields. The same can be said of cotton, soybeans, and peanuts, with peanut production likely to be off substantially. On the other hand, strong official emphasis and increased acreages should have resulted in production increases of rapeseed, sugar beets, sugarcane, and vegetables.

Increasing the production of livestock continues to be a difficult problem, and livestock numbers are not believed to have changed significantly from the previous year.

Chinese officials have released no firm agricultural statistics for the 1959 crop year relating to total acres planted or acreages of various crops. Nor have they issued any meaningful estimates of production. Thus, the foregoing evaluations of crop prospects were necessarily deduced from the following indicators which show--

1. That the crop year 1958-59 was less favorable for agricultural production than the previous year. Much of the country's best crop producing area suffered from floods, drought, typhoons, and pests.

2. That the area planted to winter grain crops in the fall of 1958 was less than in the previous year, and that total planted acreages for other crops were no higher than--and may have been below the levels of the previous year.

3. That the agricultural economy suffered from a slackening work effort and a tendency to drift, following the exhausting tempo of 1958.

4. That the leadership was seriously confused at the beginning of the year, adopted impossible targets, and embraced unwise farming concepts. Many of the mistakes stemmed from gross errors made in measuring and appraising 1958 accomplishments. Prospects for 1959 may well have been damaged before these fallacies were finally discovered.

5. That the Chinese authorities are not now optimistic; in fact, they are showing signs of much concern about the 1959 crop and about prospects for the future, despite optimistic predictions of substantial production increases.

Production.--The number of acres sown to winter wheat and other small grains in the fall of 1958 appears to have been down substantially, with more land being seeded to green manure crops. By misreading the 1958 results, the officials got the idea that the nation's food could be grown on much fewer acres by intensive cultivation. This idea caused them to relax the pressures for getting fall crops planted on as much land as possible. Also the fact that peasants were heavily occupied with nonfarm work may have interfered with fall seeding.

However, before 1959 spring planting, the claimed 1958 results and the notion that food needs could be met by cultivating fewer acres had been fairly well discredited, even though this was not publicly admitted until late August. Seeing that 1958 reports had been misleading, the government moved early in the year to initiate pressures on the farm front to

enforce austerity and to plant every available acre. These efforts to get spring and summer crops planted appear to have succeeded.

Rice, tobacco, and peanut acreages appear either to have fallen only slightly below those of the previous year or to have about equaled them. The sown acreages of miscellaneous grains, cotton, and soybeans may be up slightly, whereas those of vegetable-oil-producing crops, sugarcane, and sugar beets are believed to have increased substantially. Special emphasis was also put on increasing vegetable production near the big population centers. Acreages devoted to vegetables should be up.

The greatest single factor influencing Chinese production in 1959 has been, as usual, weather. Growing conditions varied seasonally and geographically, but in general the fall, winter, and spring season throughout the country was normal or better. These favorable weather conditions benefited especially the fall-sown grains but carried over through the planting season for the summer crops. But the warm-season crops were hard hit later by floods, drought, and typhoons which struck the mainland beginning in June.

Geographically the area hardest hit by these natural hazards lies south of the Yellow River. Authorities report that nearly one-third of the nation's cultivatable land was affected by natural calamities during the 1959 season. The extent of the production declines as a result of them depends in large part on whether the regime had succeeded in previous years in building sufficient irrigation and flood control facilities. It is claimed that the peasant organizations have successfully combated these menaces, but this hardly seems likely. More time, information, and analysis will be required before the accuracy of this claim can be fully evaluated.

Economic Conditions.--In 1959 the Chinese had to slow down and make many adjustments in the hastily erected commune organization and in industrial and agricultural priorities. The excesses of the previous year had clearly led to wasted effort, imbalances, and crippling dislocations.

Transportation facilities had broken down under the strains of stepped-up economic activity. Food shortages were widely reported, exporting activities slowed. In short, the regime has had to take measures to restore some semblance of balance and to strengthen weak spots in the economy. This it has been trying hard to do with the least possible damage to the first-priority objective of keeping industrial production growing. These efforts to keep industrial growth advancing may have succeeded despite the numerous stresses and strains that were everywhere apparent. At least, the authorities continue to claim industrial gains that compare favorably with the previous trends.

Agricultural Policy.--In 1959 the government greatly modified many of the more drastic commune concepts. Peasants are now encouraged to give farming their first attention. The former work-point system of determining peasant earnings has been restored. Private plots for raising animal fodder have been reallocated to individuals. Peasants are again encouraged to raise livestock on their own. Except for the larger and more efficient ones, backyard steel-making furnaces, which occupied so much of the peasants' time and energy in 1958, have been discontinued. Prices paid for soybeans, peanuts, sugar beets, sugarcane, and oxen have been increased in some areas. Peasants are no longer required to eat in mess halls.

These moves are in the direction of a more rational approach and are clearly calculated to placate the peasants and provide incentive. It remains to be seen whether these signal a fundamental change from the communes or only a pause. The regime has often used these tactics of a surge forward, a pause to consolidate--even a step backward--before striking out again toward the envisioned Communist society.

Trade.--Domestic transportation difficulties, unexpected shortages of supplies, and uncertainty about the true level of supply slowed the vigorous Chinese trade offensive that had gotten under way during 1958. In much of 1959, Chinese authorities seemed to have pursued a policy of "wait and see," purchasing only the essentials abroad and waiting until the uncertainties and difficulties on the domestic front could be adjusted before making commitments for future purchases or deliveries.

Direct trading relations with Japan have not been resumed since the break early in 1958. China continues to emphasize trade with the Bloc, but also maintains and seeks to widen trade ties established with Free World countries, though the volume of trade with the Free World is believed to have declined.

For the year ahead, it seems unlikely that the Chinese will be able to mount any big new trade offensive from 1959 production. However, it is expected that authorities will continue to export part of the agricultural production and possibly to increase quantities of minerals and manufactures in order to keep industrial production advancing.

Outlook.--On the domestic front, austerity will, as usual, be vigorously pushed by the government. With an estimated 13 million more people to feed, the coming year promises to hold little in prospect except economic stress and short supplies. However, unless production has been affected more adversely than now appears likely, and taking into account the possibility that stocks were built up in 1958 and that greater efforts were made to get crops harvested this year, the food and fiber supply situation should enable the authorities to get through the year ahead.

From a longer run point of view, the government is again showing major concern about lagging agricultural production. And again the leadership is stressing the need to increase the supply of chemical fertilizers and to mechanize agricultural operations. The new goal for accomplishing these tasks is 1969.

Such promises of assistance to the hard-pressed agricultural sector of the economy have been officially emphasized before, usually when crop prospects were not good. Only time will disclose whether current concern about the state of agriculture is strong enough to make the authorities willing to divert large amounts of capital resources to agriculture, if this means cutting back on the industrialization program.

The Far East

Most of the countries of the Far East are completing one of the best agricultural years in their history. Due to favorable weather, some expansion in area and improved technology, production increased 5 percent over 1958, which was also a relatively good year. This improvement was general throughout the area, with only three countries registering small decreases.

Per capita production showed a 2-percent gain this year. However, the problems facing the Far East are demonstrated by the fact that the per capita production is still slightly below the prewar level.

Improved production has resulted in increased agricultural exports and reduced food imports in several countries. Also, the end of the economic recession in the industrial countries has strengthened the prices of the raw materials which most of these countries export. With some restriction of heavy demands for economic development programs, most of the countries realized increases in their foreign exchange reserves.

Exports of U. S. agricultural commodities to the Far East again declined during fiscal 1958-59, amounting to \$911 million compared to \$974 million in fiscal 1957-58. About half of these moved under government export programs. For the first time since 1947, Japan was not in first or second place as a U. S. agricultural market. India moved up to fifth place. Japan is almost entirely a dollar market, whereas almost all sales to India were under P. L. 480. Other important U. S. agricultural outlets in the Far East in 1958-59 were Korea, the Philippine Republic, Pakistan, and Taiwan.

East Asia

Agricultural output in East Asia,² favored by generally good weather conditions, made further substantial gains in 1959. It is expected to be about 5 percent above the previous year. Total production is above prewar in each of the countries of the region except South Vietnam, and is up more than 40 percent for the region.

Production of rice, which is by far the principal product of the region, is more than 4 percent above last year. Rubber and coconut products are next in importance, though they rank far below rice. Output of rubber gained in 1959, but coconut production fell off.

Japan and Indonesia account for more than half of the total farm output of the region. Still, they depend upon heavy foodstuff imports, as does Malaya. Burma, Thailand, and

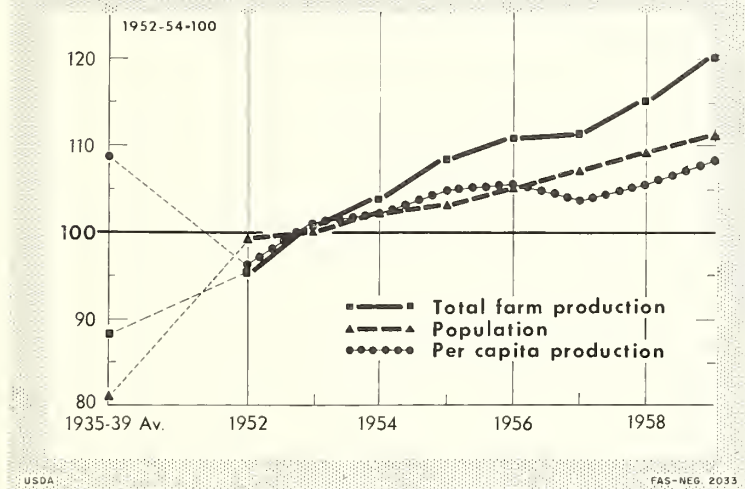
Taiwan have large exportable surpluses.

Production.--All countries in the region except Laos and South Vietnam showed increases in 1959 over the previous year. Of these, all but Thailand and Cambodia established postwar records.

Rice production showed further gains in 1959. In Japan the crop is second only to the record of 1955. In Taiwan the crop has set a new alltime record. In Indonesia, Burma, Malaya, and South Korea production is the highest since the end of World War II. Production in Burma, Thailand, and the Indochina countries--Asia's "rice bowl"--is estimated at 13.9 million metric tons, up substantially from last year.

Output of wheat and barley increased in both Japan and South Korea as a result of favorable

**FAR EAST: Per Capita Production
Almost at Prewar Level**



² Burma, Cambodia, Indonesia, Japan, Laos, Malaya (Federation), the Philippine Republic, Singapore, South Korea, South Vietnam, Taiwan, and Thailand.

TABLE 7.--Far East: Indices of agricultural production,¹ total and per capita, by countries, average 1935-39, annual 1957-59

[1952-1954 = 100]

Region and country	Total				Per capita			
	Average 1935-39	1957	1958 ²	1959 ³	Average 1935-39	1957	1958 ²	1959 ³
East Asia:								
Burma.....	107	107	114	119	130	101	106	109
Cambodia.....	86	112	108	123	121	102	96	108
Indonesia.....	92	107	111	116	108	100	102	104
Japan.....	84	126	131	136	104	120	124	127
Laos.....	70	109	113	108	70	103	105	98
Malaya, Fed. of ⁴	75	111	113	115	⁴ 103	97	96	94
Philippines.....	71	122	125	126	97	110	110	107
Singapore.....	(⁴)	100	110	119	(⁴)	92	97	103
South Korea.....	102	118	125	130	144	109	114	116
South Vietnam.....	187	141	154	153	263	123	132	129
Taiwan.....	89	123	130	133	144	107	109	108
Thailand.....	58	96	113	119	78	89	103	106
Total.....	89	115	121	126	113	106	111	112
South Asia:								
Ceylon.....	74	107	114	111	105	96	101	96
India.....	83	108	111	118	101	102	103	107
Pakistan.....	104	107	108	110	127	100	98	98
Total.....	87	108	111	116	106	102	103	105
Total Far East.....	88	111	115	120	109	104	106	108

¹Agricultural production during stated calendar year, including rice and some minor crops the production of which begins in the stated calendar year and continues into the early months of the next year. ²Revised. ³Preliminary. ⁴Singapore included with Federation of Malaya prewar.

weather. Corn production showed further advances in 1959 in Indonesia and the Philippines, the largest producing countries.

New record levels of sugar production have been set in the Philippines and Japan. Indonesia and Taiwan have reached new high levels of output for the postwar period, but production is still considerably below prewar.

Copra production continued to decline, mainly because of the drop in the Philippine crop in 1959. However, output of other oil-bearing materials is up slightly from last year. Indonesia, Japan, and South Korea all have a larger production of soybeans this year, while Burma, Taiwan, and South Korea have produced more peanuts.

Tobacco output declined in Japan, but this was offset by increases elsewhere in East Asia. Thus, total production for the region remained about the same as in 1958. Production of rubber is up about 4 percent, reflecting increases in Indonesia, Malaya, and Thailand--the three major producing countries.

Economic Conditions.--All the countries of East Asia except Japan are predominantly agricultural. The largest share of the population is engaged in agriculture, and foreign exchange earnings depend heavily upon export of farm products. Thus, the prosperity of these countries depends in large part upon the level of farm output and the price situation for products to be exported. Most of the countries have plans for economic development.

Both expansion and diversification of agriculture are emphasized in the drive to become more self-sufficient.

Economic conditions in most countries of East Asia improved in 1959. Exports of rice were larger than had been expected at the beginning of the season, while rubber and tin prices gained during the year.

The Japanese economy has recovered from the recession of 1957-58. The index of industrial activity reached nearly 180 in mid-1959 compared to 140 a year earlier (1955 = 100). Exports gained during the first half of 1959, and it is likely that the prewar level will be exceeded for the first time this year. Japan's gold and dollar reserves increased steadily from the low level of September 1957, reaching \$1.4 billion in mid-1959.

The Indonesian economy has been affected adversely by the unsettled political situation, marked by internal rebellion on several occasions, inflation, and shortage of transportation. Production of food crops is slightly above 1958. But output of export crops has declined, and actual exports in 1959 are below those for 1958 and considerably below those for 1957. Monetary reform measures were taken in August 1959, but many of the economic problems still persist.

Earlier in the year the Philippines undertook a limited monetary reform; however, this was designed to reduce imports and will not bolster declining agricultural exports. Foreign exchange reserves have not recovered significantly from the low level they reached last year.

Malaya continued in a strong financial position. Thailand has a relatively stable economy and did not suffer greatly, despite lower rice exports than were expected. Although rice exports had a slow start in Burma, this country has managed to move most of its stocks and its foreign exchange position has improved.

Taiwan, South Korea, and the countries of Indochina continue to have large balance of payments deficits which are made up largely through U. S. aid programs.

Trade.--The traditional rice-surplus countries will have increased supplies available for export. South Korea, too, has a surplus and the Philippines may even have some for export. Of the deficit countries, Indonesia may maintain its current level of imports, but Japan will probably import only token amounts during the coming year, and Malaya may require less. Thus, the supplies available for export outside the region will be larger than usual.

Japan's wheat imports were maintained at a high level through the first 8 months of 1959, but planned imports through March 1960 are somewhat smaller than usual. Barley imports were down and the import budget for October 1959-March 1960 provides for only small imports of barley for feed.

South Korea will require somewhat less wheat because of the larger domestic crops of wheat and barley. The Philippines has begun to import and mill wheat, thus cutting into the wheat-flour market.

The Japanese soybean market has grown rapidly and shows promise for further expansion.

Japan is the principal cotton importer in the region, depending entirely on imports to supply its mills. The textile industry has begun a gradual relaxation of the curtailment of operations imposed some time ago when the industry was badly depressed. Accordingly, the consumption of raw cotton is expected to increase substantially. Imports of 1,491,000 bales are planned for the October 1959-March 1960 period, compared with actual imports of 1,128,000 bales during the corresponding period a year earlier.

Singapore and the Federation of Malaya removed restrictions on direct imports of most goods from the dollar area in August 1959. Earlier, Burma had announced a partial relaxation of restrictions on dollar imports.

Long-Range Outlook.--Agricultural production will continue to increase in the East Asia region. Japan has made great technological advances in recent years, enabling farmers to increase yields that were already high. By application of technology already at hand, other countries in the region could obtain marked increases in output. Continued research may be expected to reveal means of increasing yields still further in tropical and subtropical agriculture. In addition, there are possibilities for expanding the cultivated area in some of these countries. Unfortunately, the capital requirements for development programs will be difficult to meet.

Gradual increases in agricultural production will continue, but because of institutional, economic, and cultural impediments, dramatic changes cannot be expected. For several years some countries will have difficulty in maintaining an agricultural production increase that will keep up with the high rate of population increase. With increases in per capita consumption, this will continue to put a strain on financial resources. For some time outside aid will be necessary to support economic development in this region.

South Asia

Agricultural production in South Asia--India, Pakistan, and Ceylon--was substantially higher in 1959 than in 1958. Good weather at planting time and during the growing season produced excellent crops in India and above-average crops in Pakistan. Agricultural production increased 6 percent in India and 2 percent in Pakistan, but decreased 3 percent in Ceylon, resulting in almost a 5-percent increase for the area as a whole.

Production.--Production of food grains and pulses in India in 1959 is expected to reach 76.1 million metric tons, compared with 67.1 million tons in 1957 and 69.3 million tons in 1958. Nearly ideal growing conditions and the "Grow More Food" campaign appear to be the major factors behind this record production.

India produced a bumper rice crop in the autumn of 1958, over 30 million metric tons. The estimate for 1959 is up more than 3 percent, which should establish a new record.

The 1959 harvest of wheat and barley is substantially above that of 1958. Wheat production was up 25 percent, barley up 18 percent, and corn up 5 percent. Crops of millets, sorghums, and pulses are also higher than in 1958.

India attained self-sufficiency in jute and mesta during 1958, and total production for 1959 is estimated at roughly the same level. Tea output is also about the same as in 1958.

Production of all crops in Pakistan during 1959 is estimated to be up 2 percent from last year. Pakistan's 1959 wheat crop was increased 5 percent over that of 1958. The rice crop is estimated at about the same as last year's. Cotton production is forecast to be up 9 percent, but jute output dropped 3 percent this year.

Ceylon registered a 3-percent decrease in total agricultural production for 1959 compared with 1958. This drop is partly due to the decreased rice and rubber crops in 1959, which were affected by the spring drought. Rice decreased 3 percent compared with 1958; rubber is down 12 percent. Tea is estimated at the same level.

Economic Conditions.--India's foreign exchange reserves show a slight increase over the low level of a year earlier, indicating a general stability in the economy. Import controls and foreign financial aid helped narrow the previous trade deficits. Even with the good crops harvested in 1958 and 1959, food prices rose to new heights due to short supplies, caused in part by the government's decision to inaugurate state trading in food grains. However, the system of fair-price shops was an important deterrent to uncontrolled rises in grain prices, especially in the major cities. There were indications of a revival of India's most important industry, cotton textiles, and steady, if not spectacular, progress in other industrial fields. Internal demand is resulting in increased domestic consumption of raw materials and consumer goods which otherwise might be exported. Food and clothing continue to be the areas of the Indian economy most vulnerable to inflationary pressures.

Pakistan's new government has brought a measure of stability to the economy during its first year of operation. Retail prices have been established for many agricultural commodities by setting wholesale prices and allowing a fixed percentage of profit to be added in determining retail prices. Two important problems facing the country are the continuing need to import large quantities of foodstuffs and the finding of foreign markets for surplus jute and cotton.

Ceylon has suffered through the year from political unrest, which in June finally culminated in a cabinet reorganization. With the assassination of the Prime Minister in September, the country again has been involved in a critical political situation.

Trade.--South Asian trade has not recovered from the world recession of 1957. At the GATT meeting this autumn two factors were held responsible for this: First, there is no international machinery to stabilize prices of the primary commodities or raw materials which are the main exports of these countries; and second, Western nations have been slow in opening their markets to the products of these less developed nations. As a result these countries have turned to a number of devices to improve their trading position.

Pakistan's Export Bonus Scheme is an example. All exporters of agricultural commodities (except jute, cotton, wool, and tea) receive 20 percent of the foreign exchange earned in the form of import certificates. India has lowered or abolished many export duties on agricultural commodities and has set new export quotas for others to encourage greater exports. The area has also entered into numerous trade agreements with the Sino-Soviet Bloc. State trading organizations have been active in this type of trading, owing to the nature of the Communist countries' centrally operated systems of external trade. Import policies have continued to be restrictive, especially in regard to consumer goods. The area has tried to limit imports and expand exports in the desperate attempt to achieve a balance in its trade. But foreign assistance has continued to play an important part in filling the trade gap. Public Law 480 last year provided a large portion of the required food grains, dairy products, tobacco, and cotton.

In fiscal 1958-59, India imported from all sources 3.5 million metric tons of wheat, 170,000 tons of rice, and 200,000 tons of coarse grains; Pakistan imported 530,000 tons of wheat and 200,000 tons of rice; and Ceylon brought in 370,000 tons of rice and 230,000 tons of wheat flour.

Import requirements for 1959-60 are forecast at approximately the same level as this year, in spite of good crops. The area's population is growing at about 2 percent a year, and with per capita consumption of food increasing as incomes rise, demand for food will be higher for some years to come.

Long-Range Outlook.—The South Asian countries have all embarked on multi-year plans for economic development. Since the area is mainly agricultural, the plans have tended to emphasize the establishment of industry. But after witnessing the effect of economic development on increased consumption of foodstuffs, these countries are giving agriculture a second look, and most plans have now attached primary importance to it.

It is expected that India's Third 5-Year Plan will contain provisions for increasing the production of agricultural commodities by expanded irrigation facilities, larger fertilizer availabilities, better seeds, and improved techniques of cultivation. However, until the Plan goals are realized, India will have to rely on large-scale outside financial aid to cover its food-grain import requirements.

Pakistan, under the forthcoming second 5-Year Plan (1960-65) for national development expects to increase national income 20 percent, per capita income 10 percent, and industrial production 50 percent. The new government has undertaken during the year several policy changes designed to improve agricultural conditions. These have had to do with land reform, land settlement and reclamation, and the tentative agreement with India for the division of the waters of the Indus River. All of these actions are long-range and will have little effect on the present situation. Self-sufficiency in foodstuffs has been the cornerstone of the new government's agricultural policies.

Ceylon has announced a Ten-Year Development Plan that has as its goal a 35-percent increase in export earnings, to be gained largely through substantial expansion of the production and export of its basic commercial crops of tea, rubber, and coconuts. The long-standing goal of attaining self-sufficiency in foodstuffs is to be approached in the Plan through expansion of rice production by 145 percent. Currently Ceylon imports about 50 percent of its annual food requirements.

West Asia

Agricultural production in West Asia in 1959-60 is estimated at 3 percent³ below, and per capita production at 5 percent below, the level of 1958-59 in a continuing decline from the good agricultural year of 1957-58. A smaller crop of wheat in Turkey was the biggest single factor in the decline of the entire area. Drought continued in Syria, Jordan, and Lebanon, and held down production in these countries. Cyprus, Iran, and Israel were the only countries of the area to register gains in 1959-60.

³Countries figuring in this percentage are: Cyprus, Iran, Iraq, Israel, Jordan, Lebanon, Saudi Arabia, Syria, Turkey, and Yemen.

Turkey is the agricultural giant of West Asia and accounts for about one-half of the agricultural production of the area. Iran ranks second in the area and produces roughly half the amount of agricultural commodities that Turkey produces.

Production.--The outstanding feature of 1959-60 production in West Asia is the reduced wheat crop. Net wheat production was reduced by 9 percent, about 972,000 metric tons, from the previous year. Final crop estimates will likely indicate that it was down 1,300,000 tons in Turkey--down to approximately the 1952-54 average. Drought reduced production in Syria to below the level of last year's poor crop. Barley and other grains also were reduced in the area. Livestock numbers were lowered in some countries because of the lingering drought.

Turkey's agricultural production is about 6 percent below that of last year, largely because of the wheat crop. The important cotton crop may equal in 1959-60 the previous year's high level of 825,000 bales. However, generally better fruit crops along with more dairy and livestock products compensate somewhat for the poorer wheat and cotton crops.

Iran shows quite a different story. Its wheat crop is up by some 400,000 metric tons, and this puts Iran in the unusual position of having an exportable surplus. Other grain crops also show improvement in Iran, and, along with rather favorable fruit and vegetable crops, brings Iran's agricultural production up 3 percent from last year.

Production of citrus in Israel reached 551,000 tons in 1959, an increase of nearly 27 percent over last year. Larger areas planted to all industrial crops resulted in crop increases of about 30 percent in sugar beets, over 33 percent in peanuts, and about 45 percent in cotton. The upward trend in livestock and poultry products continued in 1959 to contribute heavily to Israel's rapidly expanding agriculture and to an overall increase of the agricultural production index up to 216 with 1952-54 average taken as 100.

Economic Conditions.--The general economic situation of the region has changed little from the previous year. Outstanding in the area this year has been the civil strife in Iraq, upsetting a large segment of that country's economic activity.

There were no significant changes in the important petroleum sector of the area's economy. Foreign exchange earnings of petroleum continue to be large.

Integration of the Syrian economy with that of Egypt into the United Arab Republic was slowed on the agricultural front by the continuing drought in Syria. This prevented the production of grains for export to the Egyptian sector of the United Arab Republic. Egypt had counted heavily on Syrian grain.

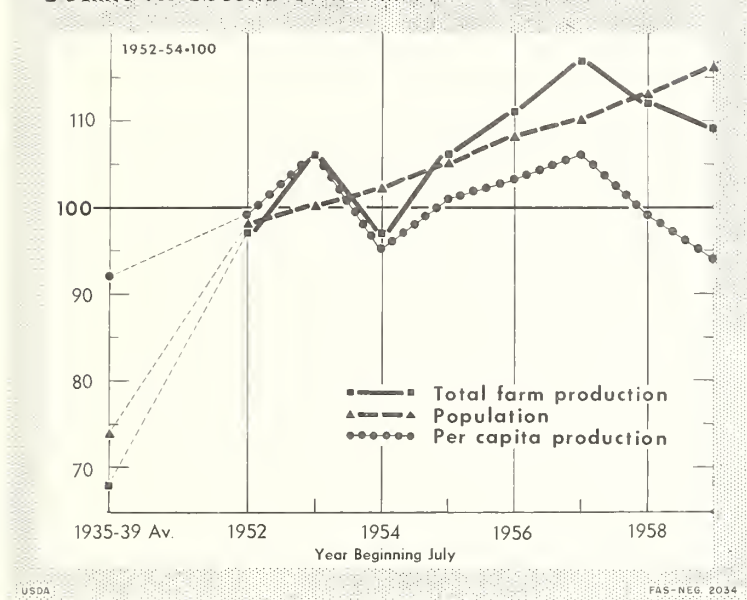
TABLE 8.--West Asia: Indices of agricultural production, total and per capita by countries, Average 1935-39, annual 1957-58 to 1959-60

[1952-53 to 1954-55 = 100]

Country	Total				Per capita			
	Average 1935-39	1957-58 ¹	1958-59 ²	1959-60 ³	Average 1935-39	1957-58 ¹	1958-59 ²	1959-60 ³
Cyprus.....	66	103	98	107	90	97	91	96
Iran.....	83	122	123	126	104	111	109	109
Iraq.....	72	125	111	106	111	116	101	94
Israel.....	70	168	201	216	117	144	166	171
Jordan.....	40	90	55	50	63	80	47	42
Lebanon.....	78	102	100	96	115	94	90	85
Saudi Arabia	(⁴)	115	100	100	(⁴)	111	95	94
Syria.....	54	147	93	88	82	128	79	73
Turkey.....	66	109	108	102	90	97	94	86
Yemen.....	(⁴)	107	82	74	(⁴)	101	76	68
Total West Asia.....	68	117	112	109	92	106	99	94

¹Revised. ²Preliminary. ³Forecast. ⁴Estimate included in total.

WEST ASIA: Total Farm and Per Capita Output Decline for Second Consecutive Year



Turkey's economy has shown no decided change during this year. Agriculture is Turkey's prime economic activity, but it is contributing a steadily decreasing share of the gross national product, and now contributes only about 40 percent. An unfavorable trade balance continues; the lagging production of consumer goods also continues. The economic stabilization program, put into effect in the latter half of 1958, is designed to control some of the imbalance of recent years in Turkey's economy. Expenditures on economic development projects continue quite large.

Israel's economy continued on a high level throughout the year. Industrial production is good. U. S. technical and economic aid, including sales of surplus agricultural commodities under Public Law 480, were major stabilizing factors in the economy of Israel as in past years. U. S.

aid programs were also helpful to Turkey, Iran, Jordan, and Yemen by bolstering their economies.

Trade.--Unusual trade patterns exist in the area for 1959. Syria, which in a good year can export half a million tons of grains, must import grain for domestic consumption. On the other hand, Iran, normally not a wheat exporter, has wheat to export this year. Turkey, an in-and-out wheat exporter, will probably be a net importer of cereals this year.

The largest agricultural export from a single country in West Asia is tobacco (nearly \$140 million in 1957) from Turkey. Syria's cotton, Israel's citrus, and Turkey's nuts are other major exports from the area.

There will be less cotton for export from the area this year than last. Turkish tobacco exports also will likely decline this year, but fresh fruit, dried fruit, and nuts will probably increase.

Wheat, wheat flour, and sugar are the most significant agricultural imports for West Asia, and because of the unusual drought in the area, even larger imports of wheat and flour are indicated this year.

Trade with the Communist Bloc increased for the United Arab Republic and Iraq, but the trade pattern for the rest of the area was largely unchanged in 1959.

Long-Range Outlook.--The agricultural future of West Asia is rather promising. Particularly good appears the future in Iran and Iraq. With judicious use of government revenue from petroleum, agricultural development projects can substantially increase total agricultural output in these countries. Cotton and grain production will receive prime attention. In Syria also the good agricultural resources are being developed on a large scale and with the return of more normal rainfall should increase the exportable surpluses of grain and cotton. Syria's grain surpluses will be absorbed by Egypt, a deficit producer.

The area as a whole has a rapidly growing population; with increased industrial activities and an improvement in living standards, demand for agricultural products will keep pace with, or even surpass, the expected gain in production.

Turkey will very likely produce no more grain, over a period of years, than can be used domestically. Increased cotton production will also be no more than domestic requirements. Specialty crops, the principal earners of foreign exchange, will probably increase in the coming years.

Africa

Northern Africa⁴

Northern Africa's 1959-60 agricultural production is expected to remain at about the same level as last year's. The region as a whole will continue to be a net importer of bread grains, since the shortage, localized principally in Egypt, will be greater than the combined surpluses in other countries.

The index of total agricultural production in Northern Africa for 1959-60 is forecast at 110 percent of the 1952-54 base period. But the per capita index of 99 percent is less

TABLE 9.--Africa: Indices of agricultural production, total and per capita,
by countries, average 1935-39, annual 1957-58 to 1959-60¹

[1952-53 to 1954-55 = 100]

Region and country	Total				Per capita			
	Average 1935-39	1957- 58 ²	1958- 59 ³	1959- 60 ⁴	Average 1935-39	1957- 58 ²	1958- 59 ³	1959- 60 ⁴
Northern Africa:								
Algeria.....	89	89	84	84	113	84	78	76
Egypt.....	90	115	116	116	123	106	104	101
Ethiopia.....	74	108	112	118	92	102	104	108
Libya.....	73	136	113	180	91	128	105	165
Morocco.....	72	72	92	87	94	68	86	80
Somalia.....	64	178	160	179	74	171	152	169
Sudan.....	59	111	135	138	95	101	119	118
Tunisia.....	75	92	125	95	103	88	118	89
Northern Africa Total.....	79	102	110	110	106	95	100	99
Southern Africa:								
Angola.....	--	120	125	--	--	113	117	--
Belgian Congo.....	--	116	123	--	--	104	107	--
Federation of Rhodesia and Nyasaland.....	--	122	131	--	--	107	112	--
French Cameroun.....	--	120	122	--	--	115	117	--
French Equatorial Africa.....	--	117	123	--	--	107	111	--
French Togoland.....	--	108	113	--	--	102	106	--
French West Africa.....	--	126	123	--	--	111	104	--
Ghana.....	--	103	108	--	--	95	98	--
Guinea.....	--	106	108	--	--	92	92	--
Kenya.....	--	124	134	--	--	114	121	--
Liberia.....	--	110	112	--	--	109	111	--
Nigeria.....	--	128	129	--	--	116	115	--
Tanganyika.....	--	131	142	--	--	120	128	--
Uganda.....	--	122	131	--	--	113	119	--
Union of South Africa.....	--	109	110	--	--	102	101	--
Southern Africa Total.....	81	119	122	125	96	108	109	110
All Africa.....	80	112	117	119	99	103	105	105

¹Not available for all countries in Southern Africa. ²Revised. ³Preliminary.

⁴Forecast.

⁴Morocco, Algeria, Tunisia, Libya, Egypt, Sudan, Ethiopia, and Somalia.

than for both the previous year and the base period, indicating that production is not keeping pace with population.

U. S. imports in 1958 from Northern Africa were valued at about \$55 million. These included agricultural products, mainly coffee, cotton, and hides and skins. The United States exported to this area goods valued at \$148 million. Most was industrial goods, but 21 percent was agricultural products--mainly fats, oils, tobacco, and grains. The total U. S. exports to this region and the agricultural portion thereof are expected to be much larger for 1959, as Egypt is receiving substantially larger shipments of farm products under Title I of Public Law 480.

Production.--During 1959, growing conditions in Morocco--particularly for cereals--were less favorable than in the preceding year. Rainfall was badly distributed. Area sown in 1959 to wheat, barley, and corn was nearly 15 percent smaller than that planted in 1958 and production of these main cereals was about 20 percent less. Output of pulses increased as these crops were grown on some of the area not sown to cereals. The most recent citrus crop was very good, yielding about 12 percent more than in the previous crop year. Modest increases were registered in production of potatoes and tomatoes. Oil output from the 1959 olive crop is expected to be somewhat below that of the previous season, mainly owing to losses from locusts and damage to trees inflicted during the harvest of last year's heavy olive crop.

Agricultural production in Tunisia is down about 25 percent from the previous year. Production of major grains is estimated at about 14 percent lower. The important olive oil crop for the season starting November 1959 is forecast at only 55,000 tons compared to the 125,000-ton record output of the preceding season. Wine production is about 8 percent below last year's level, but is considerably above the 1956-58 average of recent years.

Algeria's harvest of winter cereals was about 10 percent below last year's crop. Primarily because of the government's pricing policy favoring hard wheat, production of hard wheat increased slightly while that of soft wheat declined. Wine production is estimated at about 9 percent higher than last year. Output of potatoes increased by nearly 15 percent, while citrus production is down by about 5 percent.

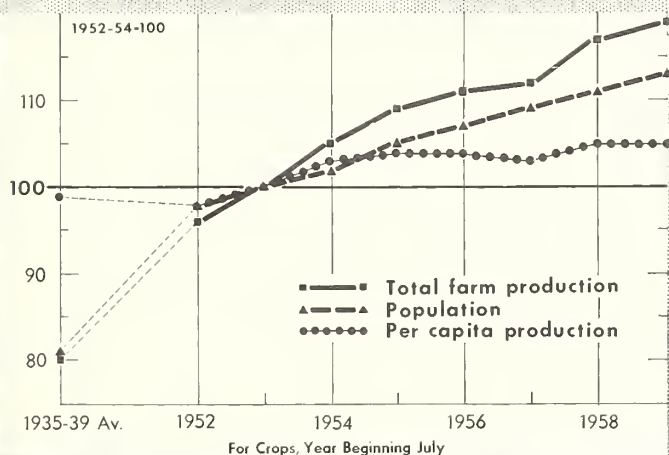
Egypt's total agricultural production amounted to 16 points over that for the 1952-54 base period. The cotton harvest is slightly above the 2 million bales produced in 1958-59, although the acreage planted was reduced 8 percent. Last year's rice crop was inadequate to meet domestic requirements but this year's crop is much better and it appears that substantial quantities will be available for export. The 1959-60 harvest or forecast for other grains, citrus, sugar, and vegetable crops is larger than the 1958-59 production.

Cotton production in the Sudan may surpass the record crop produced in 1956-57. The production of other crops in that country has also continued to increase as larger acreages are being planted each year.

Grain and oilseed crops are reported at high levels in Ethiopia, Libya, and Somalia. The olive oil crop for Libya is reported at about 4 times that for last year. Arabica coffee production in Ethiopia is estimated at about 54,000 metric tons for 1959-60 compared with an average of approximately 37,000 tons for the 1952-54 period.

Economic Conditions.--Improvement in economic conditions has been registered over much of Northern Africa. The Sudan's economy has recovered greatly from the depressed condition in

ALL AFRICA: Agricultural Production Keeps Ahead of Increasing Population



1957 and 1958 as a result of increased cotton sales. As the Sudan's foreign exchange position has improved, programs for ground water and irrigation development are moving ahead. Progress is expected to continue insofar as development funds and Nile water rights will permit. The Sudan has excellent potential for expansion of agricultural production. Increasing emphasis on diversification should reduce dependence on cotton.

Economic activities in Egypt also were strengthened by larger cotton exports in 1958-59. The chronic problem of high population pressure on its arable land continues to plague Egypt, and thus far the union with Syria has failed to provide relief. Construction of the High Aswan Dam--the first phase has been scheduled to get under way by the end of 1959--promises improvement in a large sector of the economy.

Economic activities in Ethiopia were retarded in 1959 because of lower prices for coffee exports. The country's foreign exchange reserves have been declining in spite of foreign loans and grants.

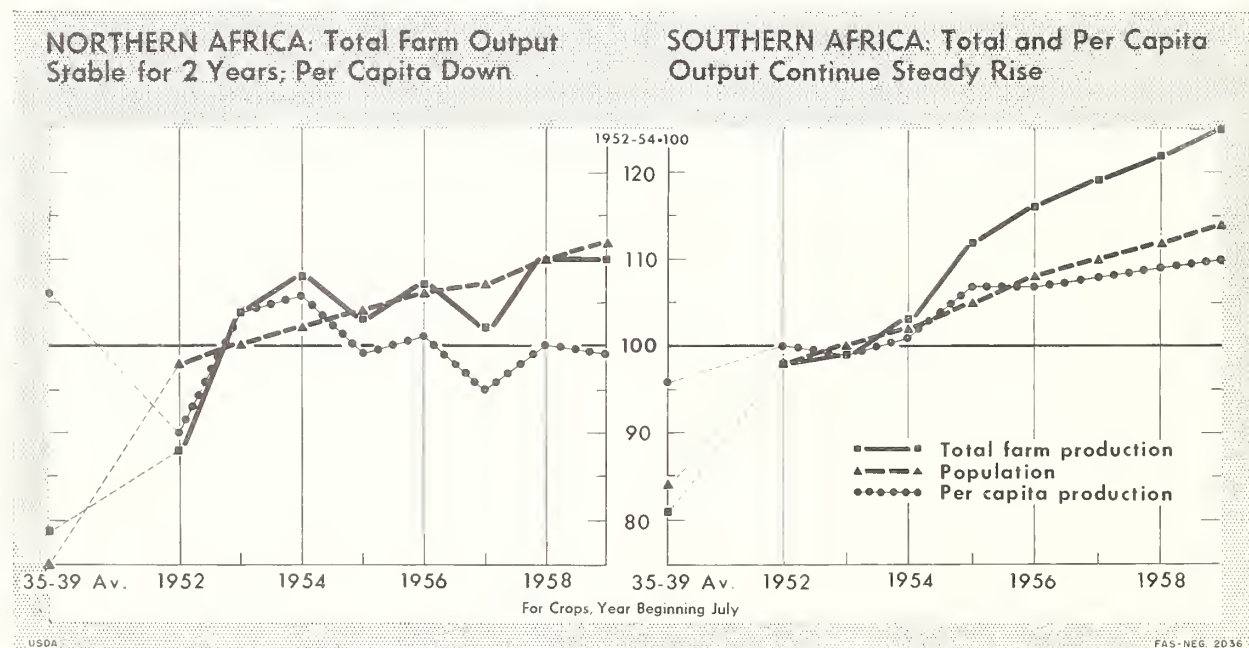
Somalia and Libya continue to receive substantial foreign aid to maintain their economies.

Morocco and Tunisia remain in a generally difficult economic situation. They press for improvement in their economies by conservation and full utilization of natural resources for agricultural production and by development of new markets for their agricultural exports. Agricultural policies in both countries emphasize redistribution of land, increased investment in irrigation, and renovation of farm technologies. Their shortages of working capital and of entrepreneurial skills are accentuated by French emigration.

Although broad agricultural reforms, similar to the programs in Morocco and Tunisia, are envisaged by the Government of Algeria, the continuation of the political difficulties serves to depress agricultural development as well as the economy generally.

Trade.--Morocco may export up to 100,000 tons of corn, 150,000 tons of hard wheat, and about 50,000 tons of barley during this marketing year. Imports of 50,000 tons of soft wheat are indicated, although it is possible that some of the exportable surplus of durum wheat may be retained to avoid importing soft wheat. About 30,000 tons each of broadbeans and chickpeas may be available for foreign markets. Close to 300,000 tons of citrus, a sizable increase from last year, will likely be exported.

Tunisia will again be a net exporter of grains. Soft wheat will be in short supply necessitating imports of between 25,000 and 40,000 tons. Exportable surpluses will amount to



between 50,000 and 80,000 tons of durum wheat and approximately 60,000 tons of barley. The grains agreement with France, under which Tunisia is accorded support prices for grain exports, is being renewed on a short-term basis only. France is still the principal market for Tunisian and Moroccan agricultural exports, although each country has concluded bilateral agreements and is seeking additional outlets.

While production has declined, demand for soft wheat has grown in Algeria, which will remain a net importer of this kind of wheat. Citrus exports will be down slightly and exports of Algerian wine will probably show a considerable decrease this year.

Most of Egypt's and the Sudan's 1959-60 cotton crops, each estimated at close to 2.6 million bales, will be available for export. Egypt will also have close to 330,000 metric tons of rice, and large quantities of onions for export. The Sudan will have exportable surpluses of sorghums, oilseeds, pulses, and peanuts. In addition to oilseeds, Ethiopia will have most of its good coffee crop available for export.

Increased domestic requirements in Egypt call for the import of 1.6 million tons (wheat equivalent) of wheat and wheat flour and 30,000 tons of corn. Egypt also must continue to receive large shipments of vegetable oils, dairy products, and tobacco. Shipments from the United States under P. L. 480 agreements will be significant this year. Ethiopia, Libya, Sudan, and Somalia are basically self-sufficient in food items and their import pattern will not change radically this year.

Long-Range Outlook.--On the whole, prospects for increasing agricultural output in Northern Africa remain good. The Sudan has a great potential and is moving ahead with increasing momentum. Ethiopia's agricultural resources are also potent. Increased efficiency and greater production in the livestock sector of these countries may be anticipated. Morocco also has a relatively good outlook for both crop and livestock production.

Here again, Egypt is the outstanding exception to the generally favorable long-range agricultural outlook. Limited crop acreage and a rapidly rising population will present a dismal outlook even when the beneficial effects of the High Aswan Dam are injected into the economy.

Southern Africa

In Africa south of the Sahara, 1958-59 was a good agricultural year with no outstanding crop failures and a few record crops in the area. Agricultural production measured on a per capita basis was about 1 percent higher than in the previous year, thus continuing the upward trend that now places per capita production at 109 percent⁵ of the 1952-54 average. Prices for most commodities remain at about last year's level. Coffee prices, however, were substantially lower because of world overproduction. Wool prices were improved; vanilla prices continue an upward trend. There have been no serious problems in disposing of exportable surpluses of agricultural commodities from this area in 1958 and 1959, but coffee has been slow to move from the Ivory Coast.

The outstanding agricultural countries of the area are Nigeria and the Union of South Africa. In each of these countries, agricultural production increased 1 percent in 1958-59 over the previous year.

Production.--The output of most commodities in 1958-59 was equal to or slightly above that of the previous year. Total agricultural production increased 3 percent over the previous year to 122 percent of the 1952-54 average. Domestic food crops were in adequate supply except for a few localized areas of drought.

Highlighting the agricultural year in central and western Africa, coffee production showed a great increase in 1958-59 over 1957-58 in the Ivory Coast while a smaller percentage increase occurred in the Belgian Congo and Ruanda-Urundi. These increases reflect the coming into bearing of a considerable number of young trees. Also, the cocoa crops in Ghana and Nigeria, the world's first and third largest cocoa producers, were considerably larger in 1958-59 than in 1957-58, a poor crop year in west Africa. Because of the very poor crop the prior year, the improvement of the cocoa crop in Nigeria was especially marked. It set a new all time high of about 141,000 metric tons.

⁵Entering into the calculation of this index are Angola, the Belgian Congo and Ruanda-Urundi, the Federation of Rhodesia and Nyasaland, French Cameroun, the countries of former French Equatorial Africa and former French West Africa, French Togoland, Ghana, Guinea, Kenya, Liberia, Nigeria, Tanganyika, Uganda, and the Union of South Africa. This is not a complete list of countries in Africa south of the Sahara.

In former French West Africa (mostly Senegal) and Nigeria, the world's two largest peanut exporting areas, the recent peanut crops were good, but smaller than the bumper crops of the year before. Production of the important palm products remained on a level with the previous year's in the Belgian Congo and Nigeria, the largest producers in this area.

Agricultural outturn in Kenya, Tanganyika, and Uganda in 1958-59 showed substantial gains over the previous year. In Kenya, tea, a high-value commercial crop, continued its steady increase. Dairying is an important enterprise in Kenya and the output of dairy products was high in 1958-59. In Tanganyika and Uganda, tobacco production set a new record. In the Federation of Rhodesia and Nyasaland, tobacco production also set a record--about 231 million pounds--pacing, along with corn, a substantial gain in the agricultural production of that country. Nyasaland's large tea production showed further increase--a new record crop.

The Union of South Africa experienced drought in parts of the country but increased production about 1 percent over the previous year. The Union produced a substantially better crop of corn in 1958-59 than in the previous year and has a large exportable surplus. Sugar production established a new high for the Union. Also, the production of fresh deciduous fruits and fruits for the canning industry is expected to be larger than the preceding season. Wool production in the Union for 1958-59 was about 12 million pounds more than in the preceding year, but production of meat, milk, and eggs was slightly depressed. A drop of about 5 percent from last year was reported in the production of hides and skins, the largest component in the aggregate agricultural output of the Union. This drop was accounted for largely by the large drop in wooled skins (not karakul). A severe drought in South-West Africa is causing large and earlier marketings of cattle.

Government agricultural development programs are expanding in most countries. Substantial programs in Kenya (Swynnerton Plan), Ruanda-Urundi, Southern Rhodesia, Swaziland, and the Belgian Congo are having significant effects upon the expansion of commercial production.

Economic Conditions.--Some improvement in the economy of the area was registered in 1959. Agricultural production and mining share importantly in the economies of the countries in this area. Prices of farm products in 1959 held up rather well. For example, coffee was cheaper but its quantity and quality were good enough to compensate for the lower prices; cocoa crops were good and the world price satisfactory. Improved copper prices gave a lift to the economy of the area, particularly to the Rhodesias and the Belgian Congo.

Although there are some exceptions, the countries in Southern Africa have no serious balance of payments difficulties and no serious domestic inflationary problems. Some government controls on retail prices exist in the area, principally in the Union of South Africa, Angola, Mozambique, the Belgian Congo, Kenya, and the Federation of Rhodesia and Nyasaland. This is being accomplished by various forms of government marketing organizations, guaranteed prices to producers, import controls, and, in some cases, actual fixing of retail prices.

The trend toward independence is prevalent in Africa south of the Sahara. This movement has not caused any appreciable change in the agricultural economies of the area. Nigeria, second only to the Union of South Africa in agricultural importance, is scheduled to become an independent member of the British Commonwealth in 1960. Cameroun and French Togoland also will gain independence in 1960.

Trade.--Vegetable oils, vegetable oil-bearing materials, coffee, cocoa, tea, sugar, and hides and skins are major exports from this area. Outstanding agricultural commodities imported by the area are wheat flour (also some grain) and sugar, even though the area is a net exporter of sugar. Large amounts of textiles are imported, for there is little textile manufacturing in the area.

Soon after receiving its independence from France on October 2, 1958, the Republic of Guinea signed a number of trade agreements with Communist Bloc countries agreeing to ship farm products in exchange for manufactured goods. In other countries of the area, the directional pattern of trade has changed little.

There are no unusual marketing problems for agricultural commodities in the area this year. There are no burdensome surpluses (except coffee in the Ivory Coast), nor are there unique shortages to be filled by imports. Corn exports are continuing to increase

from the area--its largest exporters are the Union of South Africa (ranking as the third largest corn exporter in the world), Kenya, the Federation of Rhodesia and Nyasaland, and Angola. The Federation is also an important exporter of tobacco, ranking as the world's second largest exporter of flue-cured leaf, and it will have increased supplies for export from the most recent crop. Zanzibar continues to be the major world exporter of cloves, and Madagascar the major world source of vanilla, although its supplies were somewhat reduced in 1959 because of storm damage.

The largest single agricultural export from a single country in Africa south of the Sahara is wool from the Union of South Africa (\$188 million in 1957). This is followed by cocoa from Ghana (\$142 million), and by peanuts and peanut products from French West Africa (\$133 million).

There has been increased dollar trade liberalization in some countries of the area, but this affects industrial and consumer goods more than agricultural. An exception may be found in Nigeria, where, on July 1, 1959, a long list of items from the dollar area was placed on open general license, including cereal grain products, fruits, and vegetables. Previously, only wheat flour was on open general license.

Long-Range Outlook.--This is an area of great potential, for both agricultural and industrial growth. It is an area of unsurpassed potential for hydroelectric development; its mineral resources are great; its possibilities are also good for expanding production of tropical agricultural products, which are eagerly sought on the world markets. Aside from the production of tropical crops, the area holds a potent agricultural resource in its vast areas of unutilized and underutilized grazing areas for livestock. It will require only a few technological breakthroughs to put this area in the livestock business in a big way. The tsetse fly is one of the problems to overcome.

The area will not need to import much of its food. It will continue to be deficient in wheat, and with an expanding cash economy, there will be a strengthening of demand for wheat products.

Australia and New Zealand

The 1959-60 agricultural production index for Australia and New Zealand is estimated at about 2 percent below the previous year. This decline is accounted for almost entirely by forecasts of decreased grain and sugar production in Australia. The output of fruits and livestock products will continue at high levels, with a record dairy production expected in both countries. Farm income is also expected to increase because of the more favorable marketing and price prospects for wool, dairy products, and meats in both areas.

Production.--Increased acreages were planned in Australia for the 1959-60 wheat crop because of the more favorable price for wheat during the planting season. But the lack of moisture in several states hindered plantings, and wheat production is now expected to be below 1958-59. Poor crops of barley and oats are expected, as both grains are grown primarily in Victoria and South Australia, the States most seriously affected by dry weather conditions.

A record 1958-59 rice crop in New South Wales, the chief producing area, caused the Rice Marketing Board to consider marketing controls for the current season. Also, acreage restrictions may be imposed which may lower 1959-60 production. Sugar production in 1959-60 will be limited to mill quotas with export marketings subject to the provisions of the International and Commonwealth Sugar Agreements.

Prospects for flaxseed are favorable for 1959-60, after a number of disappointing years. Current estimates indicate a crop about 2.5 times greater than in 1958-59. The 1959-60 tobacco crop is expected to equal the 1958-59 output (which was 25 percent above 1957-58) and may be slightly larger. The government's direct subsidization of cotton producers began to show results for the first time in 1958-59 with production more than double 1957-58. A larger cotton crop is also forecast for 1959-60.

Wool and dairy production are both expected to be near record levels in 1959-60 even though there has been some deterioration in pastures. Early-season wool auctions resulted in prices well above those at the close of the 1958-59 season.

Overall farm output in New Zealand in 1959-60 is estimated at 4 percent above 1958-59 because of increases in wheat and wool and a record output of milk. Shifts will probably

occur in the dairy industry, with increased emphasis on cheese because of increased differential in the price of butterfat for cheese. Wheat production continues to expand under a direct subsidy payment to producers.

Economic Conditions.--Even with the lower prices for farm exports, Australia's 1958-59 balance of payments ended with a surplus of about \$15 million. Prospects for 1959-60 are much brighter from the standpoint of more favorable prices for wool and beef exports, although overall farm production will be about 3 percent below last year.

The outlook for New Zealand's economy is much brighter than in 1958-59 or 1957-58. The surplus balance of payments situation achieved in 1958-59, in contrast to the larger deficit for 1957-58, is expected to carry over in 1959-60.

Trade.--Further liberalization of import restrictions became effective in Australia in August and at that time the ceiling on imports was increased. Raw cotton, natural hog casings, linseed meal, linseed cake, and malt were among other products exempted from all licensing. Import licensing changes by New Zealand resulted in considerable elimination of discrimination.

Australia and New Zealand's trade policies continue to emphasize bilateral trade arrangements. A 2-year agreement signed in October with Western Germany provides Australia with assured markets during 1959-60 for frozen beef, mutton and lamb, canned meats, wheat, coarse grains, dairy products, fresh and canned fruits, and wine. An agreement signed with Western Germany in April guarantees New Zealand equal marketing rights in that market for imports of meat, fruits, vegetables, seeds, and dairy products through March, 1960.

U. S. imports in 1958 from New Zealand were valued at \$109 million, more than 85 percent greater than in 1957. This trade reflects increases in beef exports to the United States, which were 260 percent above the previous year. Australia also increased its livestock and meat shipments to the United States in 1959.

Long-Range Outlook.--Australia follows the policy of increasing agricultural export earnings to pay for the country's industrialization and at the same time maintaining a high standard of living for its people. Through contributions for research, tax concessions, hydroelectric and irrigation schemes, and making available undeveloped lands at low cost, the government is making steady progress in the long-term development of agriculture, particularly in Western Australia, Queensland, and the Northern Territory.

New Zealand continues to bring new areas of land into production, and more attention is being given to greater intensification and diversification of this country's agriculture. The government's land development program continues to make available about 50,000 acres of unimproved land each year.

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